

# Taiwan Hon Chuan Enterprise Co., Ltd.

## 2021 Annual Shareholders' Meeting Minutes

(Translation)

**Time and Date:** 9:00 a.m., July 16 (Fri.), 2021

**Place:** Hon Chuan Headquarters (International Convention Hall)  
(3F, No.6, 2Rd. Taichung Industrial Park, Taiwan)

**Attendants:**

Total issued and outstanding shares: 287,785,879 shares.

Total shares represented by shareholders present in person or by proxy:

193,833,674 shares (including votes casted electronically: 154,548,735 shares);

Percentage of shares held by shareholders present in person or by proxy: 67.35%.

**Directors present:**

Dai, Hung-Chuan, Tsao, Hsih-Chung, Liu, Yun-Chang, Dai, Hung-I (attendance via video meeting), Chang, Chun-Shu (attendance via video meeting)

**Independent directors present:**

Hung, Chao-Nan

**Chairman:** Dai, Hung-Chuan (the Chairman of the Board of Directors)

**Recorder:** Tsai, Yu-Hua

The Shareholders presented have reached the quorum, Chairman announced to commence the meeting.

## A. Report Items

**Item 1 :** 2020 Business Report. Please submit for review.

**Explanatory Notes :**

(1) 2020 Business Report, Financial Statements and CPA Audit Report are attached as Attachment 1 and 2.

(2) Please review.

Acknowledged.

**Item 2 :** Audit Committee's Review Report on the 2020 Financial Statements.

Please submit for review.

### **Explanatory Notes :**

(1) The Company's 2020 financial statements have been duly audited and certified by the CPA and further reviewed by Audit Committee. The CPA and Audit Committee issue auditors' report and Audit Committee's review report respectively. Please refer to Attachment 2 and 3.

(2) Please review.

Acknowledged.

**Item 3 :** Distribution of Cash Dividend from 2020 Earnings. Please submit for review.

### **Explanatory Notes :**

(1) The company's 2020 net income is NT\$1,655,411,847. After deduction of the remeasurement of defined benefit obligation of NT\$4,311,798 and the retired treasury stock debited to retained earnings of NT\$140,812,704, the after-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income is NT\$1,510,287,345; after adding the adjusted unappropriated retained earnings of previous years of NT\$1,978,427,042, a total of NT\$3,488,714,387 is to be allocated in accordance with the Articles of Incorporation.

(2) This distribution report is to allocate the allocable retained earnings of 2020, in addition to the legal capital reserve of NT\$151,028,735 and the special reserve of NT\$356,136,494, and the distribution of cash dividends of ordinary shares of NT\$1,036,029,165 (NT\$ 3.6 per share).

(3) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

(4) Please review.

Acknowledged.

**Item 4 : 2020 Employees' Compensation and Directors' Remuneration Report.**

Please submit for review.

**Explanatory Notes :**

- (1) In accordance with the 28th Article of the Company's Articles of Incorporation.
- (2) The 2020 profit of the Company is NT\$1,856,265,282. (That represents the pretax income before distribution of employees' compensation and directors' remuneration.) The Company proposes to distribute 1.78% or NT\$33,065,500 as 2020 employees' compensation and 0.79% or NT\$14,585,598 as directors' remuneration.
- (3) The remuneration to employees and directors is to be distributed in cash. There is no discrepancy between the amount to be distributed and expenses recognized in 2020.
- (4) The aforementioned amount of employees' compensation and directors' remuneration has been approved by the Board of Directors on March 23, 2021.
- (5) Please review.

Acknowledged.

## **B. Approvals**

**Approval 1:** Approval of 2020 Financial Statements and Business Report. Please ratify. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) The 2020 Financial Statements and Business Report have been duly audited and certified by the CPA firm of Deloitte & Touche, and have been approved by the Board of Directors. Also, the Audit Committee has reviewed 2020 Financial Statements and Business Report and issued review report.
- (2) The 2020 Financial Statements and Business Report are attached as Attachment 2.
- (3) Please ratify.

## **Resolution :**

193,833,674 shares were represented at the time of voting (including votes casted electronically: 154,548,735); 165,796,219 votes were in favor of the proposal (including votes casted electronically: 126,579,280); 25,876 votes were casted against the proposal (including votes casted electronically: 25,876); 0 vote was casted invalidly of the proposal; 28,011,579 votes were abstained of the proposal (including votes casted electronically: 27,943,579). The proportion of 85.53% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

## **Approval 2:** Approval of 2020 Profit Distribution Proposal. Please ratify.

(Proposed by the Board of Directors)

## **Explanatory Notes :**

- (1) The Company's 2020 net income is NT\$ 1,655,411,847. After deduction of the remeasurement of defined benefit obligation of NT\$ 4,311,798 and the retired treasury stock debited to retained earnings of NT\$ 140,812,704, the after-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income is NT\$ 1,510,287,345; after adding the adjusted unappropriated retained earnings of previous years of NT\$ 1,978,427,042, a total of NT\$ 3,488,714,387 is to be allocated in accordance with the Articles of Incorporation.
- (2) The Board of Directors has drafted proposal for Distribution of 2020 Profit as shown below. Please refer to Attachment 4
  - I . Legal capital reserve, NT\$ 151,028,735.
  - II . Special reserve, NT\$ 356,136,494.
  - III . Shareholders' Dividend-Cash dividend NT\$3.6 per share, NT\$1,036,029,165.
- (3) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

(4) Please ratify.

**Resolution :**

193,833,674 shares were represented at the time of voting (including votes casted electronically: 154,548,735); 166,344,077 votes were in favor of the proposal (including votes casted electronically: 127,127,138); 25,876 votes were casted against the proposal (including 25,876 electronic votes); 0 vote was casted invalidly of the proposal; 27,463,721 votes were abstained of the proposal (including votes casted electronically: 27,395,721). The proportion of 85.81% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**D. Other Business and Special Motion:** None.

**E. Meeting Adjourned**

### Business Report

Since the COVID-19 pandemic was affecting the world last year, economic activities were suspended, financial markets were shaken, and global trade, investment and consumption momentum were weakened significantly. Fortunately, the situation is gradually under control after countries actively respond to the pandemic with different protective measures. Despite the impact of the pandemic on the sales of some overseas bases, all staff members continue to work hard, strive to grow, and show great perseverance. In these tough times, Taiwan Hon Chuan still posted stronger results of the profit after tax than 2019. In 2020, consolidated sales reached NTD\$ 19,348,249,000, decreased by 10.12% from NTD\$ 21,527,348,000 in 2019. Profit after tax totaled at NTD\$ 1,730,740,000, an increase of 18.01% from last year's NTD\$ 1,466,602,000. Earnings per share were 5.72 dollars for the year of 2020 conclusively.

The Company recognizes that only by accelerating innovation and technology, building out a complete system and complying with regulations, and enhancing the competitiveness of enterprises can we ensure the working interest of all staff members and pursue sustainable development. This year, the seven operation directions of the Company are as follows:

- (1) Systematic management: continuously introduce advanced information system management, such as Business Intelligence and Manufacturing Execution System.
- (2) ESG promotion: enhance the promotion and implementation of ESG (environment, society, corporate governance) in order to achieve corporate sustainability.
- (3) Product innovation: develop innovative niche products and cross-industry packaging material.
- (4) Customer service: continuously develop new accounts, establish mutually beneficial and win-win business models and build partnerships relationships with clients.
- (5) Process upgrade: continue to uplift automation processes.
- (6) Talent development: promote elite training programs and aim toward staff localization.
- (7) Shareholders' rights: continuously aim at long-term development and solid operations, comply with laws and regulations, and create value for the Company and shareholders.

Taiwan Hon Chuan is dedicated to professional development, innovative research and developing, and personnel training, strengthening the development of business competitiveness and the accomplishment of corporate strategic directions, by ways of

flexible commercial strategies, steady growing pace, bottom-up resources integration, accumulated experience with domestic and international clients and modern production management technology, in order to demonstrate overall operating synergy.

Looking ahead, focusing on core business, Taiwan Hon Chuan will continue to strive towards our corporate purposes: “acquiring good business reputation, developing global markets, respecting our customers, caring for our employees and fulfilling our social responsibilities”. We aim to solidify our home market in Taiwan, and replicate our success story across the globe in markets such as Mainland China, South East Asia, Africa and other high potential regions. We look forward to a new era of Taiwan Hon Chuan through our persistent efforts in 2021.

Chairman :  
**Dai, Hung-Chuan**

President :  
**Tsao, Hsih-Chung**

Chief Accounting officer :  
**Cheng, Ya-Wen**

**Independent Auditors' Report  
(Financial Statements)**

The Board of Directors and Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

**Opinion**

We have audited the accompanying financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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 Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were 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 these matters.



The key audit matters identified in the Corporation's financial statements for the year ended December 31, 2020 is described as follows :

### Revenue recognition

The Corporation manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from the aforementioned main products is significant to both the Corporation's revenue and profit, we identified revenue recognition as a key audit matter. Refer to Note 4 to the financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the internal controls over revenue recognition, evaluated the design of and tested the operating effectiveness of the key controls. We also sampled and inspected the original purchase orders and delivery orders to verify the reasonableness of the accrual of the sales revenue.
2. We verified the entries to the revenue subsidiary ledger by selecting sample entries from the main products and we checked the entries against the original order, delivery order, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and order.

### **Other Matter**

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia SDN. BHD, Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Corporation and are accounted for using the equity method for the year ended December 31, 2020 and 2019, but such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Corporation's financial statements for these investees, is based solely on the reports of the other auditors. The total assets of the aforementioned investments accounted for using the equity method were NTD4,236,258 thousand and NTD4,200,618 thousand, representing 14.78% and 16.36%, respectively, of the Corporation's total assets as of December 31, 2020 and 2019. The comprehensive income of these investees was NTD421,102 thousand and NTD327,018 thousand, representing 32.52% and 27.98%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2020 and 2019.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation 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 entities or business activities within the Corporation to express an opinion on the 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 a statement 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 those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters 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 audit resulting in this independent auditors' report are Done-Yuin Tseng and Hsiao-Feng Yen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 23, 2021

### Notice to Readers

*The accompanying consolidated 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.*

# **Independent Auditors' Report (Consolidated Financial Statements)**

The Board of Directors and Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

## **Opinion**

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

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

## **Basis for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were 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 these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 is described as follows :

#### Revenue recognition

The Group manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from the aforementioned main products is significant to both the Group's revenue and profit, we identified revenue recognition as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the internal controls over revenue recognition, evaluated the design of and tested the operating effectiveness of the key controls. We also sampled and inspected the original purchase orders and delivery orders to verify the reasonableness of the accrual of the sales revenue.
2. We verified the entries to the revenue subsidiary ledger by selecting sample entries from the main products and we checked the entries against the original order, delivery order, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and order.

#### **Other Matter**

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia SDN. BHD, Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Group and are included in the consolidated financial statements as of and for the year ended December 31, 2020 and 2019, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Group's consolidated financial statements for these investees, is based solely on the reports of the other auditors. The total assets of the aforementioned investees were NTD4,669,532 thousand and NTD4,563,570 thousand, representing 14.73% and 14.48%, respectively, of the Group's consolidated assets as of December 31, 2020 and 2019. The total sales of the aforementioned investees were NTD2,814,370 thousand and NTD3,023,012 thousand, representing 14.55% and 14.04%, respectively, of the Group's consolidated net sales for the years ended December 31, 2020 and 2019.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified report with other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 a statement 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 those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters 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 audit resulting in this independent auditors' report are Done-Yuin Tseng and Hsiao-Feng Yen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 23, 2021

#### *Notice to Readers*

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

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



# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 380,172	1	\$ 159,785	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,640	-	42,452	-
Notes receivable from unrelated parties (Note 4)	143,800	1	139,879	1
Trade receivables from unrelated parties (Notes 4 and 9)	796,822	3	1,078,960	4
Trade receivables from related parties (Note 4)	13,245	-	14,404	-
Inventories (Notes 4 and 10)	802,404	3	817,251	3
Other current assets (Note 14)	<u>316,973</u>	<u>1</u>	<u>321,127</u>	<u>1</u>
Total current assets	<u>2,470,056</u>	<u>9</u>	<u>2,573,858</u>	<u>10</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	27,897	-	35,399	-
Long-term investments accounted for using the equity method (Notes 4 and 11)	19,581,361	68	17,038,301	66
Property, plant and equipment (Notes 4, 12 and 26)	5,605,344	20	4,822,395	19
Right-of-use assets (Notes 4 and 13)	353,289	1	275,378	1
Intangible assets (Note 4)	1,181	-	1,618	-
Deferred tax assets (Notes 4 and 21)	7,101	-	6,623	-
Prepayments for equipment	583,788	2	901,138	4
Other non-current assets (Note 14)	<u>32,092</u>	<u>-</u>	<u>26,594</u>	<u>-</u>
Total non-current assets	<u>26,192,053</u>	<u>91</u>	<u>23,107,446</u>	<u>90</u>
TOTAL	<u>\$ 28,662,109</u>	<u>100</u>	<u>\$ 25,681,304</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 1,414,376	5	\$ 2,099,464	8
Short-term bills payable (Note 15)	3,100,000	11	1,375,000	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,119	-	-	-
Notes payable to unrelated parties	637	-	653	-
Trade payables to unrelated parties	390,335	1	470,525	2
Trade payables to related parties (Note 26)	23,229	-	38,478	-
Current tax liabilities (Notes 4 and 21)	171,722	1	97,220	1
Lease liabilities - current (Notes 4 and 13)	14,623	-	12,630	-
Deferred revenue - current (Notes 4 and 23)	11,055	-	5,490	-
Current portion of long-term liabilities (Notes 4, 15 and 23)	46,980	-	1,000,000	4
Other current liabilities (Note 17)	<u>567,127</u>	<u>2</u>	<u>461,301</u>	<u>2</u>
Total current liabilities	<u>5,741,203</u>	<u>20</u>	<u>5,560,761</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	2,997,404	11	2,996,308	12
Long-term borrowings (Notes 4, 15 and 23)	6,409,706	22	3,836,724	15
Deferred tax liabilities (Notes 4 and 21)	24,283	-	25,212	-
Lease liabilities - non-current (Notes 4 and 13)	342,242	1	264,292	1
Deferred revenue - non-current (Notes 4 and 23)	52,014	-	30,639	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	13,996	-	21,140	-
Guarantee deposits received	<u>5,250</u>	<u>-</u>	<u>4,500</u>	<u>-</u>
Total non-current liabilities	<u>9,844,895</u>	<u>34</u>	<u>7,178,815</u>	<u>28</u>
Total liabilities	<u>15,586,098</u>	<u>54</u>	<u>12,739,576</u>	<u>50</u>
EQUITY				
Ordinary shares	2,877,859	10	2,928,789	12
Capital surplus	5,395,572	19	5,485,872	21
Retained earnings				
Legal reserve	1,670,003	6	1,531,899	6
Special reserve	1,955,038	7	1,745,301	7
Unappropriated earnings	3,488,714	12	3,204,905	12
Other equity	<u>(2,311,175)</u>	<u>(8)</u>	<u>(1,955,038)</u>	<u>(8)</u>
Total equity	<u>13,076,011</u>	<u>46</u>	<u>12,941,728</u>	<u>50</u>
TOTAL	<u>\$ 28,662,109</u>	<u>100</u>	<u>\$ 25,681,304</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 7,911,048	100	\$ 8,628,937	100
COST OF GOODS SOLD (Notes 4, 10, 20 and 26)	<u>5,939,530</u>	<u>75</u>	<u>6,665,319</u>	<u>78</u>
GROSS PROFIT	<u>1,971,518</u>	<u>25</u>	<u>1,963,618</u>	<u>22</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	568,879	7	569,659	6
General and administrative expenses	332,829	4	315,250	4
Research and development expenses	<u>80,355</u>	<u>1</u>	<u>74,644</u>	<u>1</u>
Total operating expenses	<u>982,063</u>	<u>12</u>	<u>959,553</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>989,455</u>	<u>13</u>	<u>1,004,065</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries (Note 4)	941,050	12	854,291	10
Finance costs (Notes 4, 20 and 23)	(124,698)	(2)	(95,159)	(1)
Interest income	362	-	1,451	-
Gain (loss) on valuation of financial assets and liabilities at FVTPL (Note 4)	2,270	-	(7,446)	-
Net foreign exchange gain (loss) (Note 4)	(12,059)	-	4,274	-
Other gains and losses (Notes 4, 20 and 29)	<u>12,234</u>	<u>-</u>	<u>(173,701)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>819,159</u>	<u>10</u>	<u>583,710</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	1,808,614	23	1,587,775	18
INCOME TAX EXPENSE (Notes 4 and 21)	<u>153,202</u>	<u>2</u>	<u>206,739</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,655,412</u>	<u>21</u>	<u>1,381,036</u>	<u>16</u>

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (5,390)	-	\$ (3,037)	-
Unrealized (gain) loss on investments in equity instruments at fair value through other comprehensive income	(3,502)	-	752	-
Share of the other comprehensive income of associates accounted for using the equity method (Note 11)	4,013	-	2,090	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 21)	1,078	-	607	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(356,648)</u>	<u>(5)</u>	<u>(212,842)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(360,449)</u>	<u>(5)</u>	<u>(212,430)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,294,963</u>	<u>16</u>	<u>\$ 1,168,606</u>	<u>14</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 5.72</u>		<u>\$ 4.72</u>	
Diluted	<u>\$ 5.70</u>		<u>\$ 4.71</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

**TAIWAN HON CHUAN ENTERPRISE CO., LTD.**
**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	<div>Other Equity (Note 4)</div>								
			Retained Earnings (Note 4, 18 and 19)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valiation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income	Treasury Shares (Note 19)	Total Equity
	Share Capital (Note 19)	Capital Surplus (Notes 4 and 19)	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2019	\$ 2,928,789	\$ 5,485,872	\$ 1,422,646	\$ 1,368,204	\$ 2,986,533	\$ (1,730,324)	\$ (14,977)	\$ -	\$ 12,446,743
Appropriation of 2018 earnings									
Legal reserve	-	-	109,253	-	(109,253)	-	-	-	-
Special reserve	-	-	-	377,097	(377,097)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(673,621)	-	-	-	(673,621)
Net profit for the year ended December 31, 2019	-	-	-	-	1,381,036	-	-	-	1,381,036
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,430)	(212,842)	2,842	-	(212,430)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,378,606	(212,842)	2,842	-	1,168,606
Difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition	-	-	-	-	(263)	-	263	-	-
BALANCE AT DECEMBER 31, 2019	2,928,789	5,485,872	1,531,899	1,745,301	3,204,905	(1,943,166)	(11,872)	-	12,941,728
Appropriation of 2019 earnings									
Legal reserve	-	-	138,104	-	(138,104)	-	-	-	-
Special reserve	-	-	-	209,737	(209,737)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(878,637)	-	-	-	(878,637)
Difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition	-	(4,627)	-	-	-	-	-	-	(4,627)
Donations from shareholders	-	7	-	-	-	-	-	-	7
Net profit for the year ended December 31, 2020	-	-	-	-	1,655,412	-	-	-	1,655,412
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,312)	(356,648)	511	-	(360,449)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,651,100	(356,648)	511	-	1,294,963
Buy-back of treasury shares	-	-	-	-	-	-	-	(277,423)	(277,423)
Cancellation of treasury shares	(50,930)	(85,680)	-	-	(140,813)	-	-	277,423	-
BALANCE AT DECEMBER 31, 2020	\$ 2,877,859	\$ 5,395,572	\$ 1,670,003	\$ 1,955,038	\$ 3,488,714	\$ (2,299,814)	\$ (11,361)	\$ -	\$ 13,076,011

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

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

	For the Year Ended December 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,808,614	\$ 1,587,775
Adjustments for:		
Depreciation and amortization expenses	632,346	605,832
Expected credit loss recognized on trade receivables	6,596	-
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	2,584	2,783
Finance costs	124,698	95,159
Interest income	(362)	(1,451)
Share of gain of subsidiaries accounted for using the equity method	(941,050)	(854,291)
Loss (gain) on disposal of property, plant and equipment	745	(927)
Unrealized net loss on foreign currency exchange	3,903	1,449
Reversal of deferred revenue	(8,197)	(1,002)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	24,347	23,053
Notes receivable	(3,921)	1,346
Trade receivables	282,668	(84,176)
Inventories	14,847	36,134
Other current assets	(2,404)	117,412
Notes payable	(16)	(15)
Trade payables	(95,790)	86,877
Other current liabilities	28,688	53,259
Net defined benefit liabilities	(12,534)	(10,485)
Deferred revenue	5,250	-
Cash generated from operations	1,871,012	1,658,732
Interest received	325	1,485
Interest paid	(110,674)	(96,084)
Income tax paid	(79,029)	(255,582)
Net cash generated from operating activities	1,681,634	1,308,551
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	-	129
Return of capital from financial assets at fair value through other comprehensive income	4,000	4,000
Payments for property, plant and equipment	(528,462)	(189,370)
Proceeds from disposal of property, plant and equipment	1,508	987
Increase (decrease) in refundable deposits	(3,303)	2,283
Payments for intangible assets	-	(1,371)
Increase in prepayments for equipment	(479,191)	(826,709)

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

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

	For the Year Ended December 31	
	2020	2019
Dividend received from subsidiaries	\$ 379	\$ -
Other investing activities	<u>(4,188)</u>	<u>(503)</u>
Net cash used in investing activities	<u>(1,009,257)</u>	<u>(1,010,554)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(685,088)	458,464
Proceeds from short-term bills payable	1,725,000	1,375,000
Proceeds from long-term borrowings	2,608,546	2,647,502
Repayments of long-term borrowings	(970,000)	(1,550,000)
Proceeds from guarantee deposits received	750	2,500
Repayment of the principal portion of lease liabilities	(13,162)	(12,486)
Dividends paid to owners of the Corporation	(878,637)	(673,621)
Payments for transaction costs attributable to the buy-back of ordinary shares	(277,423)	-
Acquisition of additional interests in subsidiaries	(1,959,651)	(2,678,687)
Unclaimed dividend after expiry date	<u>7</u>	<u>-</u>
Net cash used in financing activities	<u>(449,658)</u>	<u>(431,328)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,332)</u>	<u>(1,481)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	220,387	(134,812)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>159,785</u>	<u>294,597</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 380,172</u>	<u>\$ 159,785</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,047,124	13	\$ 3,938,285	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	47,422	-	71,675	-
Notes receivable from unrelated parties (Note 4)	157,649	-	142,808	-
Trade receivables from unrelated parties (Notes 4 and 9)	2,877,346	9	3,172,594	10
Trade receivables from related parties (Notes 4 and 27)	1,507	-	3,074	-
Inventories (Notes 4, 10 and 29)	2,297,006	7	2,484,629	8
Other current assets (Notes 15, 27 and 28)	<u>1,179,947</u>	<u>4</u>	<u>1,284,105</u>	<u>4</u>
Total current assets	<u>10,608,001</u>	<u>33</u>	<u>11,097,170</u>	<u>35</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	36,736	-	40,498	-
Long-term investments accounted for using the equity method (Notes 4 and 12)	15,543	-	16,393	-
Property, plant and equipment (Notes 4, 13, 28 and 29)	16,654,786	53	16,146,473	51
Right-of-use assets (Notes 4 and 14)	1,199,985	4	1,115,903	4
Intangible assets (Note 4)	350,327	1	370,046	1
Deferred tax assets (Notes 4 and 22)	216,108	1	184,545	1
Prepayments for equipment	2,540,512	8	2,495,444	8
Other non-current assets (Note 15)	<u>70,512</u>	<u>-</u>	<u>57,569</u>	<u>-</u>
Total non-current assets	<u>21,084,509</u>	<u>67</u>	<u>20,426,871</u>	<u>65</u>
TOTAL	<u>\$ 31,692,510</u>	<u>100</u>	<u>\$ 31,524,041</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 1,594,452	5	\$ 3,553,001	11
Short-term bills payable (Note 16)	3,100,000	10	1,375,000	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	3,563	-	142	-
Notes payable to unrelated parties	1,191	-	4,842	-
Trade payables to unrelated parties	825,659	3	1,012,125	3
Current tax liabilities (Notes 4 and 22)	212,626	1	161,723	1
Lease liabilities - current (Notes 4 and 14)	45,875	-	52,571	-
Deferred revenue - current (Notes 4 and 24)	11,055	-	5,490	-
Current portion of long-term liabilities (Notes 4, 16 and 24)	46,980	-	1,000,000	3
Other current liabilities (Notes 18 and 27)	<u>1,140,521</u>	<u>3</u>	<u>1,161,054</u>	<u>4</u>
Total current liabilities	<u>6,981,922</u>	<u>22</u>	<u>8,325,948</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	2,997,404	9	2,996,308	10
Long-term borrowings (Notes 4, 16, 24 and 28)	7,187,039	23	5,931,187	19
Deferred tax liabilities (Notes 4 and 22)	77,344	-	69,066	-
Lease liabilities - non-current (Notes 4 and 14)	464,855	2	391,845	1
Deferred revenue - non-current (Notes 4 and 24)	53,882	-	35,470	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	13,996	-	21,140	-
Guarantee deposits received	<u>32,163</u>	<u>-</u>	<u>24,940</u>	<u>-</u>
Total non-current liabilities	<u>10,826,683</u>	<u>34</u>	<u>9,469,956</u>	<u>30</u>
Total liabilities	<u>17,808,605</u>	<u>56</u>	<u>17,795,904</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,877,859	9	2,928,789	9
Capital surplus	5,395,572	17	5,485,872	17
Retained earnings				
Legal reserve	1,670,003	5	1,531,899	5
Special reserve	1,955,038	6	1,745,301	6
Unappropriated earnings	3,488,714	11	3,204,905	10
Other equity	<u>(2,311,175)</u>	<u>(7)</u>	<u>(1,955,038)</u>	<u>(6)</u>
Total equity attributable to owners of the Corporation	13,076,011	41	12,941,728	41
NON-CONTROLLING INTERESTS	<u>807,894</u>	<u>3</u>	<u>786,409</u>	<u>3</u>
Total equity	<u>13,883,905</u>	<u>44</u>	<u>13,728,137</u>	<u>44</u>
TOTAL	<u>\$ 31,692,510</u>	<u>100</u>	<u>\$ 31,524,041</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 19,348,249	100	\$ 21,527,348	100
COST OF GOODS SOLD (Notes 4, 10, 21 and 27)	<u>15,242,548</u>	<u>79</u>	<u>17,245,038</u>	<u>80</u>
GROSS PROFIT	<u>4,105,701</u>	<u>21</u>	<u>4,282,310</u>	<u>20</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	908,369	5	967,551	5
General and administrative expenses	915,425	5	972,754	5
Research and development expenses	<u>92,061</u>	<u>-</u>	<u>86,057</u>	<u>-</u>
Total operating expenses	<u>1,915,855</u>	<u>10</u>	<u>2,026,362</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,189,846</u>	<u>11</u>	<u>2,255,948</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 21)	(167,767)	(1)	(261,702)	(1)
Interest income	51,541	-	58,039	-
Other gains and losses (Notes 4, 12, 21 and 31)	83,278	1	(54,713)	-
Net foreign exchange gain (loss) (Note 4)	<u>(1,585)</u>	<u>-</u>	<u>1,277</u>	<u>-</u>
Total non-operating income and expenses	<u>(34,533)</u>	<u>-</u>	<u>(257,099)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	2,155,313	11	1,998,849	9
INCOME TAX EXPENSE (Notes 4 and 22)	<u>424,573</u>	<u>2</u>	<u>532,247</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,730,740</u>	<u>9</u>	<u>1,466,602</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(5,390)	-	(3,037)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	511	-	2,842	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 22)	1,078	-	607	-

(Continued)



# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (361,082)	(2)	\$ (223,483)	(1)
Other comprehensive loss for the year, net of income tax	(364,883)	(2)	(223,071)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,365,857	7	\$ 1,243,531	6
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,655,412	9	\$ 1,381,036	7
Non-controlling interests	75,328	-	85,566	-
	\$ 1,730,740	9	\$ 1,466,602	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,294,963	7	\$ 1,168,606	6
Non-controlling interests	70,894	-	74,925	-
	\$ 1,365,857	7	\$ 1,243,531	6
EARNINGS PER SHARE (Note 23)				
Basic	\$ 5.72		\$ 4.72	
Diluted	\$ 5.70		\$ 4.71	

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

(With Deloitte & Touche auditors' report dated March 23, 2021) (Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation										
	Share Capital (Note 20)	Capital Surplus (Notes 4 and 20)	Retained Earnings (Notes 4, 19 and 20)			Other Equity (Note 4)		Treasury Shares (Note 20)	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 2,928,789	\$ 5,485,872	\$ 1,422,646	\$ 1,368,204	\$ 2,986,533	\$ (1,730,324)	\$ (14,977)	\$ -	\$ 12,446,743	\$ 632,422	\$ 13,079,165
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	113,153	113,153
Appropriation of 2018 earnings											
Legal reserve	-	-	109,253	-	(109,253)	-	-	-	-	-	-
Special reserve	-	-	-	377,097	(377,097)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(673,621)	-	-	-	(673,621)	-	(673,621)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(34,091)	(34,091)
Net profit for the year ended December 31, 2019	-	-	-	-	1,381,036	-	-	-	1,381,036	85,566	1,466,602
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,430)	(212,842)	2,842	-	(212,430)	(10,641)	(223,071)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,378,606	(212,842)	2,842	-	1,168,606	74,925	1,243,531
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(263)	-	263	-	-	-	-
BALANCE AT DECEMBER 31, 2019	2,928,789	5,485,872	1,531,899	1,745,301	3,204,905	(1,943,166)	(11,872)	-	12,941,728	786,409	13,728,137
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	9,247	9,247
Appropriation of 2019 earnings											
Legal reserve	-	-	138,104	-	(138,104)	-	-	-	-	-	-
Special reserve	-	-	-	209,737	(209,737)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(878,637)	-	-	-	(878,637)	-	(878,637)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(62,383)	(62,383)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	(4,627)	-	-	-	-	-	-	(4,627)	3,727	(900)
Donations from shareholders	-	7	-	-	-	-	-	-	7	-	7
Net profit for the year ended December 31, 2020	-	-	-	-	1,655,412	-	-	-	1,655,412	75,328	1,730,740
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,312)	(356,648)	511	-	(360,449)	(4,434)	(364,883)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,651,100	(356,648)	511	-	1,294,963	70,894	1,365,857
Buy-back of treasury shares	-	-	-	-	-	-	-	(277,423)	(277,423)	-	(277,423)
Cancellation of treasury shares	(50,930)	(85,680)	-	-	(140,813)	-	-	277,423	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 2,877,859	\$ 5,395,572	\$ 1,670,003	\$ 1,955,038	\$ 3,488,714	\$ (2,299,814)	\$ (11,361)	\$ -	\$ 13,076,011	\$ 807,894	\$ 13,883,905

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,155,313	\$ 1,998,849
Adjustments for:		
Depreciation and amortization expenses	2,288,342	2,295,375
Expected credit loss recognized on trade receivables	20,372	831
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	3,785	2,926
Finance costs	167,767	261,702
Interest income	(51,541)	(58,039)
Dividend income	(627)	-
Share of loss of associates accounted for using the equity method	32	3,361
Loss (gain) on disposal of property, plant and equipment	14,555	(31,686)
Write-down of inventories	8,473	15,765
Unrealized net loss (gain) on foreign currency exchange	12,268	(202)
Loss on lease modification	45	-
Reversal of deferred revenue	(10,918)	(3,777)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	22,314	23,549
Notes receivable	(15,346)	5,698
Trade receivables	183,567	(52,295)
Inventories	103,909	13,769
Other current assets	54,527	289,117
Notes payable	(3,549)	1,786
Trade payables	(156,306)	(55,891)
Other current liabilities	(69,154)	168,077
Net defined benefit liabilities	(12,534)	(10,485)
Deferred revenue	5,250	-
Cash generated from operations	4,720,544	4,868,430
Interest received	51,503	58,073
Interest paid	(153,483)	(263,521)
Income tax paid	(395,825)	(505,890)
Net cash generated from operating activities	<u>4,222,739</u>	<u>4,157,092</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	-	129
Return of capital from financial assets at fair value through other comprehensive income	4,000	4,000
Payments for property, plant and equipment	(905,189)	(624,958)
Proceeds from disposal of property, plant and equipment	79,169	116,044
Increase (decrease) in refundable deposits	(14,233)	2,488

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2020	2019
Payments for intangible assets	\$ (2,272)	\$ (13,133)
Payments for right-of-use assets	(57,770)	(67,365)
Increase in other non-current assets	(32,484)	(13,081)
Increase in prepayments for equipment	(2,141,396)	(2,777,733)
Dividend received	<u>627</u>	<u>-</u>
Net cash used in investing activities	<u>(3,069,548)</u>	<u>(3,373,609)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	(1,949,740)	(1,470,959)
Proceeds from short-term bills payable	1,725,000	1,375,000
Proceeds from long-term borrowings	3,609,457	2,789,567
Repayments of long-term borrowings	(3,228,669)	(1,749,023)
Increase in lease payable	16,606	-
Repayment of the principal portion of lease liabilities	(47,277)	(56,260)
Dividends paid to owners of the Corporation	(878,637)	(673,621)
Payments for transaction costs attributable to the buy-back of ordinary shares	(277,423)	-
Acquisition of additional interests in subsidiary	(900)	-
Dividends paid to non-controlling interests	(62,383)	(34,091)
Changes in non-controlling interests	9,247	113,153
Unclaimed dividend after expiry date	<u>7</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(1,084,712)</u>	<u>293,766</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>40,360</u>	<u>(118,675)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>108,839</b>	<b>958,574</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>3,938,285</b></u>	<u><b>2,979,711</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 4,047,124</b></u>	<u><b>\$ 3,938,285</b></u>

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

# **Taiwan Hon Chuan Enterprise Co., Ltd.**

## **Audit Committees' Review Report**

We hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2020 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Individual and Consolidated Financial Statements have been audited by external auditors Tseng, Done-Yuin and Yen, Hsiao-Feng of Deloitte & Touche, Taiwan, and an unqualified opinion and report have been issued on the Financial Statements. The aforementioned items have been reviewed and determined to be correct and accurate by Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2021 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

### **Taiwan Hon Chuan Enterprise Co., Ltd.**

Audit Committee      Chairman : Hung, Chao - Nan

Commissioner : Huang, Hsiang - Ying

Commissioner : Kung, Yi - Lu

March 23, 2021

# Taiwan Hon Chuan Enterprise Co., Ltd.

## Proposal for Distribution of 2020 Profits

Items	Subtotal	Unit : NTD Amount
<b>Unappropriated retained earnings of previous years</b>		1,978,427,042
2020 after-tax net income	1,655,411,847	
Remeasurement of defined benefit obligation	(4,311,798)	
Retired treasury stock debited to retained earnings	<u>(140,812,704)</u>	
<b>After-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income</b>		1,510,287,345
Legal capital reserve		(151,028,735)
Special reserve		<u>(356,136,494)</u>
<b>Retained Earnings Available for Distribution as of 2020</b>		2,981,549,158
Shareholders' Dividend - Cash (NTD\$ 3.6 per share)		<u>(1,036,029,165)</u>
<b>Unappropriated Retained Earnings</b>		<u><u>1,945,519,993</u></u>

(Note1) Shareholders' Dividend -- Cash :

287,785,879 shares \* NT\$ 3.6 = NT\$ 1,036,029,165.

(Note2) The cash dividend distribution will be calculated to the nearest NT dollar. For fractional shares distributed which are less than one dollar that will be included in the Company's other revenue.

(Note3) Cash dividends were approved by the Board of Directors and to be reported at the Shareholders' Meeting.

(Note4) In response to the implementation of Imputation System, when computing tax levied at the rate of 5% on undistributed surplus earnings in accordance with Article 66-9 of Income Tax Act, the Company will adopt specific identification method to distribute preferably from earnings of recent years based upon official letter No. 871941343 issued by Ministry of Finance on April 30, 1998.

(Note5) Afterward, if there is any reason to influence the total amount of outstanding shares of the Company, based on the proposed total amount of cash distributed to shareholders which resolved by this shareholders' meeting and actual amount of outstanding shares on the base day of interest distribution, please authorize the Board of Directors to adjust distribution rate.

### Explanatory Notes :

Unappropriated retained earnings of previous years : It represents the unappropriated retained earnings after making distribution of 2019 profits by the resolution of 2020 Shareholders' Meeting and is compiled based upon TIFRS GAAP.

Chairman :  
**Dai, Hung-Chuan**

President :  
**Tsao, Hsih-Chung**

Chief Accounting officer :  
**Cheng, Ya-Wen**