

Taiwan Hon Chuan Enterprise Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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 other auditors. The total assets of the aforementioned investments accounted for using the equity method were NTD4,236,058 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 the 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 audits 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 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.

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)**

	Other Equity (Note 4)								
			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)
Cancelation 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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	<u>1,681,634</u>	<u>1,308,551</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the “Corporation”) was incorporated in 1969. It manufactures and sells various packaging materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, polyethylene terephthalate (PET) bottles, and beverage filling original equipment manufacturer (OEM) and automatic sealer machines.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission. The Corporation’s shares have been listed on the Taiwan Stock Exchange since March 2, 2001.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 23, 2021.

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 a material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value 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.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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 twelve 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 financial statements are authorized for issue; and

- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

In preparing the financial statements of each individual entity, 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 that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries, associates, joint ventures or branches operating in other countries or those that use currencies that are different from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period; and income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to interests and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. 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.

f. Investments in subsidiaries

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

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

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

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation 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 Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses, if any.

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

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

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

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

g. 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.

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 method 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.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, 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 Corporation 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 corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

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, including cash and cash equivalents, trade receivables at amortized cost, notes receivable, other receivables and refundable deposits, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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 Corporation 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 or if it is a contingent consideration recognized by an acquirer in a business combination.

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 Corporation'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 Corporation recognizes allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation 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 Corporation 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.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The Corporation 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 Corporation 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and 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

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or 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 Corporation are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation'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 Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, any gains or losses on such financial liabilities are recognized in other gains or losses; 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 25.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods and accounts receivable are recognized when the goods are delivered to the customer's designated location or when the goods are shipped, because it is the time when significant risks and rewards of ownership of the goods have been transferred to the customer.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

l. Leases

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

The Corporation as lessee

The Corporation 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 which are 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, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. 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, in-substance fixed payments, variable lease payments which depend on an index or a rate. 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 Corporation 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 Corporation 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.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

m. 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. 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 net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

p. Taxation

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

1) Current tax

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided 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. If a temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits 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 Corporation 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation'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 Corporation considers the economic implications of the COVID-19 when making its critical accounting estimates. 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 revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and petty cash	\$ 295	\$ 1,296
Checking accounts and demand deposits	228,933	158,489
Cash equivalent		
Time deposits with original maturities of 3 months or less	<u>150,944</u>	<u>-</u>
	<u>\$ 380,172</u>	<u>\$ 159,785</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank balance	0.001-0.05	0-0.38
Time deposits with original maturities of 3 months or less	0.3	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
Financial Assets at Fair Value through Profit or Loss - Current	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic convertible bonds	\$ 16,640	\$ 29,775
Domestic listed shares	-	12,652
Derivative financial assets		
Foreign exchange forward contracts	-	25
	<u>\$ 16,640</u>	<u>\$ 42,452</u>

Financial Liabilities at Fair Value through Profit or Loss - Current

Financial liabilities mandatorily classified as at FVTPL

Derivative financial liabilities		
Foreign exchange forward contracts	<u>\$ 1,119</u>	<u>\$ -</u>

Outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2020</u>			
Buy	EUR/USD	2021.06.15	EUR1,691/USD2,060
	USD/NTD	2021.01.04	USD820/TWD23,051
<u>December 31, 2019</u>			
Buy	EUR/NTD	2020.06.15	ERU378/NTD12,822

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of effective hedging instruments, thus hedge accounting was not used.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
<u>Domestic investments</u>		
Unlisted shares	\$ 19,252	\$ 26,754
<u>Foreign investments</u>		
Unlisted shares	<u>8,645</u>	<u>8,645</u>
	<u>\$ 27,897</u>	<u>\$ 35,399</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 Corporation's strategy of holding these investments for long-term purposes.

9. TRADE RECEIVABLES - NET

	December 31	
	2020	2019
Trade receivables from unrelated parties	\$ 797,544	\$ 1,079,682
Less: Allowance for impairment loss	<u>(722)</u>	<u>(722)</u>
	<u>\$ 796,822</u>	<u>\$ 1,078,960</u>

The average credit period of sales of goods is 30 to 90 days. No interest is charged on trade receivables. The Corporation uses other publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Corporation'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 Corporation's different customer base.

The Corporation writes off a trade receivable when there is evidence 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 Corporation 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 Corporation has no notes receivable that are past due. The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	181 to 360 Days Past Due	Over 1 Year Past Due	Total
Expected credit loss rate	0.001%	0.5%-2%	3%-5%	10%	50%-100%	
<u>December 31, 2020</u>						
Gross carrying amount	\$ 789,958	\$ 6,742	\$ -	\$ 537	\$ 307	\$ 797,544
Loss allowance (Lifetime ECLs)	<u>(439)</u>	<u>(38)</u>	<u>-</u>	<u>(54)</u>	<u>(191)</u>	<u>(722)</u>
Amortized cost	<u>\$ 789,519</u>	<u>\$ 6,704</u>	<u>\$ -</u>	<u>\$ 483</u>	<u>\$ 116</u>	<u>\$ 796,822</u>
<u>December 31, 2019</u>						
Gross carrying amount	\$ 1,068,059	\$ 10,811	\$ 737	\$ -	\$ 75	\$ 1,079,682
Loss allowance (Lifetime ECLs)	<u>(545)</u>	<u>(71)</u>	<u>(31)</u>	<u>-</u>	<u>(75)</u>	<u>(722)</u>
Amortized cost	<u>\$ 1,067,514</u>	<u>\$ 10,740</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,078,960</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1 and December 31	<u>\$ 722</u>	<u>\$ 722</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Finished goods	\$ 355,333	\$ 360,509
Work in progress	783	14,255
Raw materials	438,789	427,346
Inventory in transit	<u>7,499</u>	<u>15,141</u>
	<u>\$ 802,404</u>	<u>\$ 817,251</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$5,939,530 thousand and \$6,665,319 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries	December 31	
	2020	2019
<u>Unlisted company</u>		
Hon Chuan Holding Limited (“Samoa Hon Chuan”)	\$ 19,409,562	\$ 16,983,695
Bon Trust International Trade Co., Ltd. (“Bon Trust”)	21,723	10,615
Hon Chuan (Cambodia) Co., Ltd. (“Hon Chuan Cambodia”)	66,429	43,991
Hon Chuan (Philippines) Co., Ltd. (“Hon Chuan Philippines”)	<u>83,647</u>	<u>-</u>
	<u>\$ 19,581,361</u>	<u>\$ 17,038,301</u>
Proportion of Ownership and Voting Rights (%)		
Name of Subsidiary	December 31	
	2020	2019
Samoa Hon Chuan	100	100
Bon Trust	99.9	99.9
Hon Chuan Cambodia	100	100
Hon Chuan Philippines	100	-

These investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of these investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries’ financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>For the Year Ended December 31, 2020</u>					
Cost					
Freehold land	\$ 467,045	\$ -	\$ -	\$ -	\$ 467,045
Buildings	2,848,194	47,489	-	36,282	2,931,965
Equipment	4,947,650	184,724	(42,517)	455,226	5,545,083
Other equipment	3,079,972	298,850	(69,983)	305,033	3,613,872
Property under construction	<u>19,238</u>	<u>72,320</u>	<u>-</u>	<u>-</u>	<u>91,558</u>
	<u>11,362,099</u>	<u>\$ 603,383</u>	<u>\$ (112,500)</u>	<u>\$ 796,541</u>	<u>12,649,523</u>
Accumulated depreciation					
Buildings	617,073	\$ 79,931	\$ -	\$ -	697,004
Equipment	3,821,422	293,368	(41,593)	-	4,073,197
Other equipment	<u>2,101,209</u>	<u>241,423</u>	<u>(68,654)</u>	<u>-</u>	<u>2,273,978</u>
	<u>6,539,704</u>	<u>\$ 614,722</u>	<u>\$ (110,247)</u>	<u>\$ -</u>	<u>7,044,179</u>
	<u>\$ 4,822,395</u>				<u>\$ 5,605,344</u>

	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>For the Year Ended December 31, 2019</u>					
Cost					
Freehold land	\$ 467,045	\$ -	\$ -	\$ -	\$ 467,045
Buildings	2,231,086	5,305	-	611,803	2,848,194
Equipment	4,816,967	59,195	(34,519)	106,007	4,947,650
Other equipment	2,914,900	101,155	(5,220)	69,137	3,079,972
Property under construction	<u>652,256</u>	<u>19,238</u>	<u>-</u>	<u>(652,256)</u>	<u>19,238</u>
	<u>11,082,254</u>	<u>\$ 184,893</u>	<u>\$ (39,739)</u>	<u>\$ 134,691</u>	<u>11,362,099</u>
Accumulated depreciation					
Buildings	542,957	\$ 74,116	\$ -	\$ -	617,073
Equipment	3,560,612	295,275	(34,465)	-	3,821,422
Other equipment	<u>1,885,906</u>	<u>220,517</u>	<u>(5,214)</u>	<u>-</u>	<u>2,101,209</u>
	<u>5,989,475</u>	<u>\$ 589,908</u>	<u>\$ (39,679)</u>	<u>\$ -</u>	<u>6,539,704</u>
	<u>\$ 5,092,779</u>				<u>\$ 4,822,395</u>

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

Building	
Main buildings	20-60 years
Electrical power equipment	10-50 years
Other	10-50 years
Machinery equipment	3-22 years
Other equipment	2-25 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Land	<u>\$ 353,289</u>	<u>\$ 275,378</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 93,105</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	<u>\$ 15,194</u>	<u>\$ 14,030</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 14,623	\$ 12,630
Non-current	\$ 342,242	\$ 264,292

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.18%	1.18%

c. Material leasing activities and terms

The Corporation leases land for the use of plants, office spaces and warehouses with lease terms of 10 years from the Export Processing Zone Administration, MOEA of the ROC. Based on the lease, the variable lease payments are dependent on the Taiwan consumer price index of the year before the lease. The Corporation does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Corporation is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 70,447	\$ 46,104
Total cash outflow for leases	\$ (87,338)	\$ (61,923)

The Corporation's leases of certain buildings, office equipment and transportation equipment which qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. OTHER ASSETS

	December 31	
	2020	2019
Office supplies	\$ 271,257	\$ 241,851
Refundable deposits	28,099	24,796
Prepaid expenses and prepayment for purchases	27,891	57,791
Other receivables	17,825	11,733
Others	3,993	11,550
	<u>\$ 349,065</u>	<u>\$ 347,721</u>
Current	\$ 316,973	\$ 321,127
Non-current	32,092	26,594
	<u>\$ 349,065</u>	<u>\$ 347,721</u>

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

	For the Year Ended December 31, 2020
Balance at January 1	\$ -
Add: Impairment loss	<u>6,596</u>
Balance at December 31	<u>\$ 6,596</u>

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,390,000	\$ 2,080,000
Loans for purchasing raw materials	<u>24,376</u>	<u>19,464</u>
	<u>\$ 1,414,376</u>	<u>\$ 2,099,464</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	0.72-0.75	0.79-0.82
Loans for purchasing raw materials	1.06	0.95-1.33

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	<u>\$ 3,100,000</u>	<u>\$ 1,375,000</u>
<u>Rate of interest per annum (%)</u>		
Commercial paper	0.56-0.60	0.74-0.82

c. Long-term borrowings

	December 31	
	2020	2019
Line of credit borrowings - March 2022 to July 2026	\$ 6,511,048	\$ 4,872,502
Less: Current portion	(46,980)	(1,000,000)
Discounts on government grants (Note 23)	<u>(54,362)</u>	<u>(35,778)</u>
Long-term borrowings	<u>\$ 6,409,706</u>	<u>\$ 3,836,724</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	0.10-1.30	0.10-1.40

16. BONDS PAYABLE

	December 31	
	2020	2019
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Bonds discount	<u>(2,596)</u>	<u>(3,692)</u>
	<u>\$ 2,997,404</u>	<u>\$ 2,996,308</u>

On April 27, 2018, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 1.07% and an effective interest rate of 1.1079%. The principal is repayable in cash upon maturity (April 27, 2023).

17. OTHER LIABILITIES - OTHERS

	December 31	
	2020	2019
Payables for salaries	\$ 172,986	\$ 155,969
Payables for purchases of equipment	83,596	8,081
Payables for bonus to employees	33,066	28,951
Payables for annual leave	25,305	23,531
Payables for remuneration of directors	14,586	12,429
Others	<u>237,588</u>	<u>232,340</u>
	<u>\$ 567,127</u>	<u>\$ 461,301</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% 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 Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 138,480	\$ 139,598
Fair value of plan assets	<u>(124,484)</u>	<u>(118,458)</u>
Net defined benefit liabilities	<u>\$ 13,996</u>	<u>\$ 21,140</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 137,732</u>	<u>\$ (109,144)</u>	<u>\$ 28,588</u>
Service cost			
Current service cost	668	-	668
Net interest expense (income)	<u>1,550</u>	<u>(1,288)</u>	<u>262</u>
Recognized in profit or loss	<u>2,218</u>	<u>(1,288)</u>	<u>930</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,965)	(3,965)
Actuarial loss - changes in demographic assumptions	182	-	182
Actuarial loss - changes in financial assumptions	912	-	912
Actuarial loss - experience adjustments	<u>5908</u>	<u>-</u>	<u>5,908</u>
Recognized in other comprehensive income	<u>7,002</u>	<u>(3,965)</u>	<u>3,037</u>
Contributions from the employer	-	(11,415)	(11,415)
Benefits paid	<u>(7,354)</u>	<u>7,354</u>	<u>-</u>
Balance at December 31, 2019	<u>139,598</u>	<u>(118,458)</u>	<u>21,140</u>
Service cost			
Current service cost	617	-	617
Net interest expense (income)	<u>1,117</u>	<u>(988)</u>	<u>129</u>
Recognized in profit or loss	<u>1,734</u>	<u>(988)</u>	<u>746</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (3,715)	\$ (3,715)
Actuarial loss - changes in demographic assumptions	871	-	871
Actuarial loss - changes in financial assumptions	4,355	-	4,355
Actuarial loss - experience adjustments	<u>3,879</u>	<u>-</u>	<u>3,879</u>
Recognized in other comprehensive income	<u>9,105</u>	<u>(3,715)</u>	<u>5,390</u>
Contributions from the employer	-	(13,280)	(13,280)
Benefits paid	<u>(11,957)</u>	<u>11,957</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 138,480</u>	<u>\$ (124,484)</u>	<u>\$ 13,996</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Corporation 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 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 plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by using the future salaries of plan participants. As such, an increase in the salaries 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 are as follows:

	December 31	
	2020	2019
Discount rate(s)	0.350%	0.800%
Expected rate(s) of salary increase	1.125%	1.125%

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 will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	\$ (2,471)	\$ (2,559)
0.25% decrease	\$ 2,547	\$ 2,639
Expected rate of salary increase/decrease		
0.25% increase	\$ 2,439	\$ 2,536
0.25% decrease	\$ (2,379)	\$ (2,472)

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 11,843	\$ 9,938
Average duration of the defined benefit obligation	9 years	9 years

19. EQUITY

a. Share capital

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	350,000	350,000
Shares authorized	\$ 3,500,000	\$ 3,500,000
Shares issued and fully paid (in thousands of shares)	287,786	292,879
Shares issued	\$ 2,877,859	\$ 2,928,789

b. Capital surplus

	December 31	
	2020	2019
Arising from issuance of common shares (1)	\$ 4,841,447	\$ 4,927,127
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (1)	353,848	358,475
Other (2)	200,277	200,270
	<u>\$ 5,395,572</u>	<u>\$ 5,485,872</u>

- 1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital and to once a year).
 - 2) Such capital surplus may be used to offset a deficit.
- c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation made a profit after tax in a fiscal year, the profit shall be first utilized for offsetting cumulative losses, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals the Corporation's paid-in capital, 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 Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to compensation of employees and remuneration of directors in Note 20-d.

The dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholder's meeting.

The dividends policy of the Corporation shall be made according to the Corporation's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Corporation may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Corporation may decide not to distribute dividend.

The shareholders' dividends shall be distributed in the form of cash dividends or share dividends. More than (or equal to) 50% of the total amount of shareholders' dividends shall be in the form of cash dividends.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2019 and 2018, which were approved in the shareholders' meetings in June 2020 and 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended December 31		(NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 138,104	\$ 109,253		
Special reserve	209,737	377,097		
Cash dividends	878,637	673,621	\$3.05	\$2.30

The appropriation of earnings for 2020, which were proposed/resolved by the Corporation's board of directors on March 23, 2021, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
<u>Proposed</u>		
Legal reserve	\$ 151,030	
Special reserve	356,137	
<u>Resolved</u>		
Cash dividends	\$ 1,036,029	\$ 3.6

The appropriation of earnings as cash dividends as listed above had been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 18, 2021.

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

e. Treasury shares

Purpose of Buy-back	Number of shares at January 1,2020	Increase During the Year	Decrease During the Year	Number of shares at December 31,2020
<u>For the Year Ended December 31, 2020</u>				
Shares cancelled	_____ -	<u>5,093,000</u>	<u>(5,093,000)</u>	_____ -

In order to maintain the Corporation's creditworthiness and protect shareholders' interests, the Corporation's board of directors resolved in March 2020 to buy back and cancel 5,093 thousand treasury shares in accordance with Article 28-2 of the Securities and Exchange Act. As of December 31, 2020, the shares had been fully repurchased and the cost of the repurchase was \$277,423 thousand. On June 30, 2020, the treasury shares were cancelled and the registration of the change was completed in July 2020.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

20. NET PROFIT FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations include the following items:

a. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ (745)	\$ 927
Miscellaneous income	26,516	30,790
Other losses	<u>(13,537)</u>	<u>(205,418)</u>
	<u>\$ 12,234</u>	<u>\$ (173,701)</u>

b. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank	\$ 76,470	\$ 57,288
Interest on convertible bonds	33,196	33,184
Interest on lease liabilities	3,729	3,333
Other interest expenses (Note 23)	<u>11,303</u>	<u>1,354</u>
	<u>\$ 124,698</u>	<u>\$ 95,159</u>

c. Employee benefits expense, depreciation and amortization expenses

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	\$ 692,547	\$ 287,439	\$ 979,986	\$ 631,264	\$ 260,904	\$ 892,168
Labor and health insurance expense	59,361	22,003	81,364	54,881	20,888	75,769
Pension expense	24,346	9,633	33,979	22,505	9,227	31,732
Other employee benefits expense	1,946	11,539	13,485	2,870	12,453	15,323
Remuneration of directors	-	14,586	14,586	-	12,429	12,429
Depreciation expenses	548,492	81,424	629,916	523,661	80,277	603,938
Amortization expenses	-	2,430	2,430	-	1,894	1,894

For the years ended December 31, 2020 and 2019, the average number of employees of the Corporation was 1,533 and 1,444, respectively, which included 5 and 6 non-employee directors, respectively. The calculation basis is consistent with employee benefits expense.

For the years ended December 31, 2020 and 2019, the average employee benefits expense was \$726 and \$706 thousand, respectively. For the years ended December 31, 2020 and 2019, the average employee salary was \$641 and \$620 thousand, respectively. The average employee salary increased by 3% year-on-year.

The remuneration policies are based on the Corporation's operational conditions, the industry standard, and the organizational position, and may be adjusted based on the overall economy, industrial environment and government regulations. Compensation of individual employees is determined based on his/her role, experience, professional abilities, and individual performance. A reasonable and fair

policy for performance appraisal is also set up as the basis for the promotions, rotations, compensation adjustments and year-end bonuses. In addition, the Corporation allocates a certain percentage of the total amount of performance bonus payable annually based on the Corporation's profit. After the amount is being reviewed by the remuneration committee and the audit committee and approved by the board of directors, employees that meet certain performance standards will be paid according to their assessed performance. The remuneration of directors is made in accordance with the provisions of the Corporation. After the end of the year, the remuneration of directors is calculated in accordance with its regulations, and reported to the shareholders in their meeting after being reviewed by the remuneration committee and approved by the board of directors.

d. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors on March 23, 2021 and March 23, 2020, respectively, were as follows:

	For the Year Ended December 31			
	2020		2019	
	%	Cash	%	Cash
Compensation of employees	1.78%	\$ 33,066	1.78%	\$ 28,951
Remuneration of directors	0.79%	14,586	0.76%	12,429

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 171,726	\$ 185,351
Adjustments for prior year	(18,195)	20,439
Deferred tax		
In respect of the current year	(329)	949
Income tax expense recognized in profit or loss	<u>\$ 153,202</u>	<u>\$ 206,739</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ 361,723	\$ 317,555
Nondeductible expenses in determining taxable income	25	40,683
Deductible items in determining taxable income	(209)	(336)
Unrecognized deductible temporary differences	(185,913)	(170,733)
Tax-exempt income	(4,229)	(869)
Adjustments for prior years' tax	<u>(18,195)</u>	<u>20,439</u>
Income tax expense recognized in profit or loss	<u>\$ 153,202</u>	<u>\$ 206,739</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Corporation only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

In addition, in accordance with Rule No. 10904558730 issued by the MOF, the Corporation has deducted the amount of dividends distributed in 2020 attributable to the increase in retained earnings at the beginning of 2018 as a result of initial adoption of IFRS 9 and IFRS 15 when calculating the tax on unappropriated earnings for 2018.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
In respect of current period		
- Remeasurement of defined benefit plans	<u>\$ 1,078</u>	<u>\$ 607</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligation	\$ 4,228	\$ (2,507)	\$ 1,078	\$ 2,799
Others	<u>2,395</u>	<u>1,907</u>	<u>-</u>	<u>4,302</u>
	<u>\$ 6,623</u>	<u>\$ (600)</u>	<u>\$ 1,078</u>	<u>\$ 7,101</u>

For the Year Ended December 31, 2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>929</u>	<u>(929)</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,212</u>	<u>\$ (929)</u>	<u>\$ -</u>	<u>\$ 24,283</u>

For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligation	\$ 5,718	\$ (2,097)	\$ 607	\$ 4,228
Others	<u>2,094</u>	<u>301</u>	<u>-</u>	<u>2,395</u>
	<u>\$ 7,812</u>	<u>\$ (1,796)</u>	<u>\$ 607</u>	<u>\$ 6,623</u>

<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>1,776</u>	<u>(847)</u>	<u>-</u>	<u>929</u>
	<u>\$ 26,059</u>	<u>\$ (847)</u>	<u>\$ -</u>	<u>\$ 25,212</u>

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$559,930 thousand and \$445,469 thousand, respectively.

- e. Income tax assessments

Income tax returns of the Corporation through 2018 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,655,412	289,585	<u>\$ 5.72</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>696</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,655,412</u>	<u>290,281</u>	<u>\$ 5.70</u>
<u>For the year ended December 31, 2019</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,381,036	292,879	<u>\$ 4.72</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>577</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,381,036</u>	<u>293,456</u>	<u>\$ 4.71</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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.

23. GOVERNMENT GRANTS

Except as disclosed in other notes, the following government grants were received by the Corporation:

As of December 31, 2020, according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” made by the government, the Corporation borrowed \$1,929,661 thousand from the National Development Fund with an preferential interest rate for its operation and purchase of equipment. The loan is expected to be settled within 5 to 7 years in equal installments. Using the prevailing market interest rates of 0.85%-1.60% for an equivalent loan, the fair value of the loan was estimated at \$1,862,643 thousand on initial recognition. The difference of \$67,018 thousand between the proceeds and the fair value of the loan is viewed as a government grants derived from an interest-free loan and is recognized as deferred revenue, which will be subsequently transferred to profit or loss over time. For the year ended December 31, 2020, the amount recognized in other revenue was \$8,047 thousand, and interest expense recognized on this loan was \$11,303 thousand.

If the Corporation fails to comply the loan regulations, and the National Development Fund terminates the grants, the Corporation will pay the loan with the original agreed interest rate plus the annual interest rate.

24. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 16,640	\$ -	\$ -	\$ 16,640
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	\$ -	\$ 1,119	\$ -	\$ 1,119
Financial assets at fair value through other comprehensive income				
Equity investments				
Unlisted shares	\$ -	\$ -	\$ 27,897	\$ 27,897
<u>December 31, 2019</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 29,775	\$ -	\$ -	\$ 29,775
Shares of publicly quoted entity	12,652	-	-	12,652
Foreign exchange forward contracts	-	25	-	25
	\$ 42,427	\$ 25	\$ -	\$ 42,452
Financial assets at fair value through other comprehensive income				
Equity investments				
Unlisted shares	\$ -	\$ -	\$ 35,399	\$ 35,399

There were no transfers between Level 1 and 2 in the current and prior years.

2) Valuation techniques and assumptions applied for fair value measurement

- a) The fair value of financial instruments with standard conditions and traded in active market, including listed shares and emerging market shares, is decided based on the market price.
- b) The fair values of foreign exchange forward contracts are determined using the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- c) The unlisted equity investments at fair value through other comprehensive income are all measured at Level 3. The fair values of unlisted equity investments are determined using price-to-book ratio approach. In this approach, according to the financial information of the companies, both net book value per share calculated and share price estimated by comparing share price or P/E ratio with similar companies were used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

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

Financial assets at fair value through other comprehensive income - equity instruments

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 35,399	\$ 38,776
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(3,502)	752
Proceeds from sale of equity instruments at fair value through other comprehensive income	-	(129)
Return of capital due to capital reduction of invested companies	<u>(4,000)</u>	<u>(4,000)</u>
Balance at December 31	<u>\$ 27,897</u>	<u>\$ 35,399</u>

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 16,640	\$ 42,452
Financial assets at amortized cost		
Cash and cash equivalents	380,172	159,785
Notes receivable and trade receivables	953,867	1,233,243
Financial assets at fair value through other comprehensive income - equity investments	27,897	35,399
Other receivables	17,825	11,733
Refundable deposits	28,099	24,796

	December 31	
	2020	2019
<u>Financial liabilities</u>		
Mandatorily classified as at FVTPL	\$ 1,119	\$ -
Amortized cost		
Short-term borrowings	1,414,376	2,099,464
Short-term bills payable	3,100,000	1,375,000
Notes payable and trade payables	414,201	509,656
Bonds payable	2,997,404	2,996,308
Long-term borrowings (including current portion)	6,456,686	4,836,724
Other payables	321,184	240,421
Guarantee deposits received	5,250	4,500

c. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings and liability component of preference shares. The Corporation's corporate treasury function identifies and assesses the risks and manages market uncertainties with the objective of reducing the potentially adverse effects that market fluctuations may have on its financial performance. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Corporation's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Corporation's policies that were approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Corporation entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. There has been no change to the Corporation's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

The Corporation has foreign currency denominated sales and purchases, which expose the Corporation to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Corporation is mainly exposed to the USD.

The Corporation's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as loans to foreign operations within the Corporation where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% strengthening in the levels of the NTD against the USD, the pre-tax profit for the years ended December 31, 2020 and 2019 would have changed by decreasing \$2,378 thousand and increasing \$152 thousand, respectively.

Interest rate risk

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 6,454,269	\$ 4,648,230
Cash flow interest rate risk		
Financial liabilities	7,871,062	6,936,188

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease by \$9,839 thousand and \$8,670 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. At the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Corporation, is arising from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The amount of contingent liabilities arising from the provision of financial guarantees.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management believes the Corporation's credit risk has been significantly reduced.

Trade receivables consist of a large number of customers, which spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Corporation's concentrations of credit risk regarding top 5 customers were 50% and 48%, respectively, in total trade receivables as of December 31, 2020 and 2019. No other concentration of credit risk was observed.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Corporation had available unutilized short-term bank loan facilities of \$9,302,648 thousand and \$7,627,391 thousand, respectively.

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Borrowings	\$ 1,461,356	\$ 6,048,367	\$ 361,339
Short-term bills payable	3,100,000	-	-
Non-interest bearing liabilities	414,201	-	-
Bonds payable	-	2,997,404	-
Lease liabilities	<u>18,735</u>	<u>74,151</u>	<u>329,838</u>
	<u>\$ 4,994,292</u>	<u>\$ 9,119,922</u>	<u>\$ 691,177</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 1,119</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>			
Non-derivative financial liabilities			
Borrowings	\$ 3,099,464	\$ 3,634,775	\$ 237,727
Short-term bills payable	1,375,000	-	-
Non-interest bearing liabilities	509,656	-	-
Bonds payable	-	2,996,308	-
Lease liabilities	<u>15,819</u>	<u>62,883</u>	<u>244,667</u>
	<u>\$ 4,999,939</u>	<u>\$ 6,693,966</u>	<u>\$ 482,394</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
<u>December 31, 2020</u>						
Lease liabilities	\$ 18,735	\$ 74,151	\$ 75,297	\$ 57,864	\$ 56,384	\$ 140,293
<u>December 31, 2019</u>						
Lease liabilities	\$ 15,819	\$ 62,883	\$ 64,155	\$ 46,912	\$ 41,805	\$ 91,795

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed in the other notes, details of transactions between the Corporation and its related parties were disclosed as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Bon Trust International Trade Co., Ltd. (“Bon Trust”)	Subsidiary
Hon Chuan (Cambodia) Co., Ltd. (“Hon Chuan Cambodia”)	Subsidiary
Hon Chuan Holding Limited (“Samoa Hon Chuan”)	Subsidiary
Hon Chuan (Philippines) Co., Ltd. (“Hon Chuan Philippines”)	Subsidiary
Hon Chuan (China) Holdings Co., Ltd. (“Hon Chuan China”)	Subsidiary
HC (Asia) Holdings Co., Ltd. (“Hon Chuan Asia”)	Subsidiary
Kai Gang Industries Limited (“Kai Gang”)	Subsidiary
Hon Hsing (Samoa) Holding Limited (“Samoa Hon Hsing”)	Subsidiary
Hon Chuan (Thailand) Co., Ltd. (“Hon Chuan Thailand”)	Subsidiary
PT Hon Chuan Indonesia (“Hon Chuan Indonesia”)	Subsidiary
Hon Chuan (Myanmar) Co., Ltd. (“Hon Chuan Myanmar”)	Subsidiary
Hon Chuan Vietnam Co., Ltd. (“Hon Chuan Vietnam”)	Subsidiary
Hon Chuan Malaysia Sdn. Bhd. (“Hon Chuan Malaysia”)	Subsidiary
Hononly Food & Beverage Co., Ltd. (“Hononly Food”)	Subsidiary
Hon Hua (Samoa) Holdings Limited (“Honhua”)	Subsidiary
Hon Chuan Enterprise (Suzhou) Company Limited (“Suzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Qingxin) Co., Ltd. (“Qingxin Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Chuzhou) Co., Ltd. (“Chuzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Xiantao) Co., Ltd. (“Xiantao Hon Chuan”)	Subsidiary
Suzhou Hongxin Food Packing Co., Ltd. (“Suzhou Hongxin”)	Subsidiary
Hon Chuan Food Packing (Taiyuan) Co., Ltd. (“Taiyuan Hon Chuan”)	Subsidiary
Hon Chuan Enterprise (Changsha) Co., Ltd. (“Changsha Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)	Subsidiary
Hon Chuan Enterprise Packing (Luoch) Co., Ltd. (“Luoch Hon Chuan”)	Subsidiary
Hon Chuan FD Packaging Co., Ltd. (“Hon Fu Thailand”)	Subsidiary
Shimada International Limitada (“Shimada”)	Subsidiary
Hon Shi Mozambique Co., Ltd. (“Hon Shi Mozambique”)	Subsidiary

b. Business transaction

	For the Year Ended December 31	
	2020	2019
<u>Sales of goods</u>		
Subsidiary	\$ <u>63,280</u>	\$ <u>77,982</u>
<u>Purchases of goods</u>		
Subsidiary	\$ <u>109,143</u>	\$ <u>144,165</u>

The prices of raw materials and supplies, work in process and equipment parts sold by the Corporation to its subsidiaries are generally based on a markup of cost, and the price of the finished goods is adjusted according to the market price. Payment for the goods is made by telegraphic transfer within 180 days from the closing of the month.

The price of sales to related parties and collection terms approximated those for third parties.

	December 31	
	2020	2019
<u>Accounts receivable</u>		
Subsidiary	\$ <u>13,245</u>	\$ <u>14,404</u>
<u>Accounts payable</u>		
Subsidiary	\$ <u>23,229</u>	\$ <u>38,478</u>

c. Property, plant and equipment

Related Party Category	Get the price For the Year Ended December 31, 2020
Subsidiary	\$ <u>9,343</u>

d. Endorsements and guarantees

Related Party Category	December 31	
	2020	2019
Subsidiaries		
Samoa Hon Chuan	\$ 69,000	\$ 69,000
Hon Chuan China	40,000	105,000
Hon Chuan Indonesia	23,940	23,940
Hon Chuan Asia	22,000	22,000
others	<u>40,790</u>	<u>58,790</u>
	\$ <u>195,730</u>	\$ <u>278,730</u>

The Corporation provided endorsements and guarantees for Samoa Hon Chuan for their syndicated loan agreement into which they entered with a group of banks led by Land Bank of Taiwan Co., Ltd. The purpose of the loan is for the repayment of short-term bank loans, procurement of funds for future investment and to increase operating capital. Under the agreement, the Corporation should maintain certain financial ratios based on its annual consolidated financial statements as listed below:

- 1) Current ratio - at least 80% based on the consolidated financial statements.
- 2) Debit ratio - maximum of 200% based on the consolidated financial statements.
- 3) Interest coverage ratio - at least 500% based on the consolidated financial statements.
- 4) Net tangible value must not be less than NTD 9 billion.

If the Corporation is not able to maintain any of the financial ratios as listed above, it must improve the related financial ratios and provide documents of the improvement certified by the Corporation's auditor within five months of the following year starting April 1. If the Corporation's financial ratios improved within the grace period, there will be no violation of the agreement. However, the Corporation should pay an additional 0.2% of the original annual interest rate from April 1 of the following year to the date of the improvement. As of December 31, 2020, the loan facilities have not yet been used.

e. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 49,908	\$ 43,344
Post-employment benefits	<u>235</u>	<u>239</u>
	<u>\$ 50,143</u>	<u>\$ 43,583</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Corporation at December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$291,501 thousand and \$171,958 thousand, respectively.
- b. Unrecognized commitments were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	<u>\$ 316,376</u>	<u>\$ 660,745</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2020			2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>						
USD	\$ 11,102	28.48	\$ 316,185	\$ 5,426	29.98	\$ 162,673
<u>Investments accounted for using the equity method</u>						
USD	686,785	28.48	19,559,638	567,968	29.98	17,027,686
<u>Financial liabilities of monetary items</u>						
USD	2,753	28.48	78,405	4,919	29.98	147,473

The significant unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currency	2020		2019	
	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Losses
NTD	29.55 (NTD:NTD)	\$ (3,136)	30.91 (NTD:NTD)	\$ (195)
EUR	33.71 (EUR:NTD)	(579)	34.61 (EUR:NTD)	(170)
JPY	0.28 (JPY:NTD)	(188)	0.28 (JPY:NTD)	(1,084)
		<u>\$ (3,903)</u>		<u>\$ (1,449)</u>

29. OTHER ITEMS

Environmental Protection Bureau of Taichung City Government (“Environmental Protection Bureau”), Environmental Protection Administration Executive Yuan, R.O.C. (Taiwan), and Taichung District Prosecutors Office (“Taichung Prosecutors Office”) collectively inspected the label factories of the Corporation and discovered that the air pollution control equipment was not functioning properly. As a result, Environmental Protection Bureau issued Letter No. 1070126655 with fine notifications No. 20-107-110002 and No. 20-107-110003 which amounted to \$20,200 thousand fine. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the current year. The Corporation appointed a lawyer to appeal for an administrative remedy to the Supreme Administrative Court, and the case is currently under appeal.

Because of the abovementioned event, Environmental Protection Bureau issued Letter No. 1080045552 on May 2, 2019 for the air pollution charge of \$125,869 thousand from the third quarter of 2013 through the second quarter of 2018. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the first half of 2019. The Corporation appointed a lawyer to appeal to Taichung High Administrative Court for administrative litigation. The Taichung High Administrative Court announced the first-instance verdict that the Corporation lost the trial, and the case was appealed to the Supreme Administrative Court and is currently under trial. The investigation of the case was closed by the Taichung District Prosecutors Office on September 20, 2019. In addition to ordering the Corporation to pay the unlawful income of \$77,299 thousand, which was the air pollution charge from the fourth quarter of 2010 through the second quarter of 2018, the prosecutors charged 19 persons, including the Corporation, for indictable offense due to violation of Air Pollution Control Act. The case underwent a trial in the Taichung District Court. The Corporation paid the aforementioned unlawful income and recognized the amount as other losses under non-operating income and expenses in 2019.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 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. (None)
- 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. (Note 7)
- 10) 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. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
 - 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 period or on the financial position, such as the rendering or receiving of services. (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: (None).

TABLE 1

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
1	Samoa Hon Chuan	Hon Chuan China	Receivable from related parties	Yes	\$ 2,958,218 (US\$ 103,870)	\$ 2,233,402 (US\$ 78,420)	\$ 2,233,402 (US\$ 78,420)	1.75%- 3.41%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 7,376,194	\$ 7,376,194
		Hon Chuan Asia	Receivable from related parties	Yes	14,793 (US\$ 519)	-	-	3.40%- 3.41%	Short-term financing	-	Operating Capital	-	-	-	7,376,194	7,376,194
		Hon Chuan Cambodia	Receivable from related parties	Yes	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	21,360 (US\$ 750)	2.25%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	7,376,194	7,376,194
		Hon Shi Mozambique	Other receivable - related parties	Yes	12,093 (US\$ 425)	-	-	-	Business transaction	6,020 (US\$ 211)	-	-	-	-	6,020	7,376,194
		Shimada	Other receivable - related parties	Yes	13,289 (US\$ 467)	-	-	-	Business transaction	13,289 (US\$ 467)	-	-	-	-	13,289	7,376,194
2	Hon Chuan China	Samoa Hon Hsing	Receivable from related parties	Yes	531,152 (US\$ 18,650)	531,152 (US\$ 18,650)	531,152 (US\$ 18,650)	1.75%- 1.76%	Short-term financing	-	Operating Capital	-	-	-	2,773,328	2,773,328
3	Kai Gang	Hon Chuan China	Receivable from related parties	Yes	122,749 (US\$ 4,310)	85,440 (US\$ 3,000)	85,440 (US\$ 3,000)	1.75%- 3.41%	Short-term financing	-	Operating Capital	-	-	-	2,162,370	2,162,370
4	Hon Chuan Asia	Samoa Honly	Receivable from related parties	Yes	126,166 (US\$ 4,430)	-	-	2.38%- 3.91%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon Chuan Myanmar	Other receivable - related parties	Yes	30,197 (US\$ 1,060)	-	-	2.38%- 4.89%	Business transaction	-	-	-	-	-	-	3,636,536
		Honly Food	Other receivable - related parties	Yes	3,925 (US\$ 138)	-	-	-	Business transaction	-	-	-	-	-	-	3,636,536
			Receivable from related parties	Yes	5,981 (US\$ 210)	-	-	2.38%- 3.91%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon Chuan Vietnam	Receivable from related parties	Yes	24,514 (EUR 700)	24,514 (EUR 700)	24,514 (EUR 700)	1.25%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon hua	Receivable from related parties	Yes	8,930 (EUR 255)	-	-	1.25%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
5	Suzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	30,554 (RMB 7,000)	15,277 (RMB 3,500)	15,277 (RMB 3,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
		Xiantao Hon Chuan	Receivable from related parties	Yes	39,283 (RMB 9,000)	21,824 (RMB 5,000)	21,824 (RMB 5,000)	2.80%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
		Luoch Hon Chuan	Receivable from related parties	Yes	28,371 (RMB 6,500)	28,371 (RMB 6,500)	28,371 (RMB 6,500)	2.80%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
6	Changsha Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	122,215 (RMB 28,000)	67,655 (RMB 15,500)	67,655 (RMB 15,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Xiantao Hon Chuan	Receivable from related parties	Yes	74,202 (RMB 17,000)	74,202 (RMB 17,000)	74,202 (RMB 17,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Taiyuan Hon Chuan	Receivable from related parties	Yes	48,013 (RMB 11,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Luoch Hon Chuan	Receivable from related parties	Yes	65,472 (RMB 15,000)	48,013 (RMB 11,000)	48,013 (RMB 11,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
7	Jinan Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	85,114 (RMB 19,500)	85,114 (RMB 19,500)	85,114 (RMB 19,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	546,506
		Xiantao Hon Chuan	Receivable from related parties	Yes	26,189 (RMB 6,000)	26,189 (RMB 6,000)	26,189 (RMB 6,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506
		Taiyuan Hon Chuan	Receivable from related parties	Yes	24,006 (RMB 5,500)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506
		Luoch Hon Chuan	Receivable from related parties	Yes	144,039 (RMB 33,000)	104,756 (RMB 24,000)	104,756 (RMB 24,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
8	Taiyuan Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	\$ 21,824 (RMB 5,000)	\$ -	\$ -	2.80%- 3.70%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 649,038	\$ 649,038
		Suzhou Hongxin	Receivable from related parties	Yes	21,824 (RMB 5,000)	-	-	3.20%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
		Chuzhou Hon Chuan	Receivable from related parties	Yes	91,661 (RMB 21,000)	91,661 (RMB 21,000)	91,661 (RMB 21,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
		Luoch Hon Chuan	Receivable from related parties	Yes	109,993 (RMB 25,200)	109,993 (RMB 25,200)	109,993 (RMB 25,200)	2.80%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
9	Zhangzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	61,107 (RMB 14,000)	-	-	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	449,372	449,372
		Luoch Hon Chuan	Receivable from related parties	Yes	104,756 (RMB 24,000)	-	-	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	449,372	449,372

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Corporation will not be subjected to the restriction on 40% of the latest net assets of the Corporation.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

(Concluded)

TABLE 2

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Hon Chuan Indonesia	(Note 4)	\$ 6,295,930	\$ 681,811 (US\$ 23,940)	\$ 681,811 (US\$ 23,940)	\$ 169,497 (US\$ 5,951)	\$ -	5	\$ 12,591,860	Y	-	-
		Samoa Hon Chuan	(Note 4)	6,295,930	1,965,120 (US\$ 69,000)	1,965,120 (US\$ 69,000)	101,104 (US\$ 3,550)	-	16	12,591,860	Y	-	-
		Hon Chuan China	(Note 4)	6,295,930	2,990,400 (US\$ 105,000)	1,139,200 (US\$ 40,000)	579,568 (US\$ 20,350)	-	9	12,591,860	Y	-	-
		Hon Chuan Asia	(Note 4)	6,295,930	626,560 (US\$ 22,000)	626,560 (US\$ 22,000)	-	-	5	12,591,860	Y	-	-
		Luoch Hon Chuan	(Note 4)	6,295,930	341,760 (US\$ 12,000)	142,400 (US\$ 5,000)	-	-	1	12,591,860	Y	-	Y
		Hon Chuan Myanmar	(Note 4)	6,295,930	142,400 (US\$ 5,000)	142,400 (US\$ 5,000)	108,224 (US\$ 3,800)	-	1	12,591,860	Y	-	-
		Samoa Hon Hsing	(Note 4)	6,295,930	541,120 (US\$ 19,000)	541,120 (US\$ 19,000)	-	-	4	12,591,860	Y	-	-
		Qingxin Hon Chuan	(Note 4)	6,295,930	370,240 (US\$ 13,000)	85,440 (US\$ 3,000)	-	-	1	12,591,860	Y	-	Y
		Suzhou Hongxin	(Note 4)	6,295,930	-	-	-	-	-	12,591,860	Y	-	Y
		Xiantao Hon Chuan	(Note 4)	6,295,930	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	-	12,591,860	Y	-	Y
		Chuzhou Hon Chuan	(Note 4)	6,295,930	56,960 (US\$ 2,000)	28,480 (US\$ 1,000)	-	-	-	12,591,860	Y	-	Y
		Bon Trust	(Note 4)	6,295,930	193,379 (US\$ 6,790)	193,379 (US\$ 6,790)	500 (US\$ 18)	-	2	12,591,860	Y	-	-
1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	1,102,036	28,668 (THB 30,000)	28,668 (THB 30,000)	1,911 (THB 2,000)	-	-	2,204,072	-	-	-

Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.

Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 3**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020****(In Thousands of Dollars, Unless Otherwise Specified)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2020			
				Number of Shares	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value (Note 1)
The Corporation	<u>Share Capital</u> CDIB CME Fund Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,200,000	\$ 19,252	2	\$ 19,252
	Lightel Technologies Inc.	-	Financial assets at fair value through other comprehensive income - non-current	551,051	8,645	2.8	8,645
	<u>Corporate Bonds</u> TCI CO., Ltd.	-	Financial assets at fair value through profit or loss - current	160,000	16,640	-	16,640
Samoa Hon Chuan	<u>Corporate Bonds</u> Garden Fresh (HK) Fruit & Vegetable Co., Limited	-	Financial instruments at fair value through profit or loss - current	-	29,681 (US\$ 1,042)	-	29,681 (US\$ 1,042)
Hon Chuan Thailand	<u>Share Capital</u> Ichitan Group Public Company Limited	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	8,839 (THB 9,250)	0.08	8,839 (THB 9,250)

Note 1: The information about fair value please see Note 26.

Note 2: Information on investees, please see Tables 7 and 8.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 4

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount (Note 1)
The Corporation	Samoa Hon Chuan	Investments accounted for using equity method	-	Parent - subsidiary	480,943,793	\$ 16,983,695	61,445,800	\$ 1,838,368	542,389,593	\$ 19,409,562
Samoa Hon Chuan	Hon Chuan Asia	Investments accounted for using equity method	-	Parent - subsidiary	236,798,360	8,586,008	16,365,120	466,075	253,163,480	9,503,691
						(US\$ 301,475)		(US\$ 16,365)		(US\$ 333,697)
Samoa Hon Chuan	Hon Chuan China	Investments accounted for using equity method	-	Parent - subsidiary	111,802,005	4,887,567	65,120,000	1,424,142	176,922,005	7,307,199
						(US\$ 171,614)		(US\$ 50,005)		(US\$ 256,573)
Hon Chuan Asia	Hon Chuan Indonesia	Investments accounted for using equity method	-	Parent - subsidiary	98,575,783	3,461,687	-	466,075	98,575,783	3,963,732
						(US\$ 121,548)		(US\$ 16,365)		(US\$ 139,176)

Note 1: Amount includes investment income/loss recognized under equity method and cumulative translation adjustment.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 5

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(In Thousands of Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 2)	\$ 2,240,066 (US\$ 78,654)	-	\$ -	Depend on the operation	\$ -	\$ -
Hon Chuan China	Samoa Hon Hsing	(Note 2)	532,263 (US\$ 18,689)	-	-	Depend on the operation	264,864 (US\$ 9,300)	-
Jinan Hon Chuan	Luoch Hon Chuan	(Note 2)	105,764 (RMB 24,231)	-	-	Depend on the operation	-	-
Taiyuan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	108,627 (RMB 24,887)	-	-	Depend on the operation	6,547 (RMB 1,500)	-
Taiyuan Hon Chuan	Luoch Hon Chuan	(Note 2)	109,993 (RMB 25,200)	-	-	Depend on the operation	-	-

Note 1: Including trade receivables, other receivables and receivable from related parties.

Note 2: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

TABLE 6

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount			
The Corporation	Samoa Hon Chuan	Samoa	Overseas reinvested holding company and international trade	\$ 16,592,280	\$ 14,753,912	542,389,593	100	\$ 19,409,562	\$ 939,190	\$ 939,190	Subsidiary
	Bon Trust	Taichung	Overseas reinvested holding company and international trade	9,990	9,990	999,000	99.90	21,723	11,499	11,487	Subsidiary
	Hon Chuan Cambodia	Cambodia	Manufacture and sale of PET bottles	76,585	46,427	1,000	100	66,429	(3,985)	(3,985)	Subsidiary
	Hon Chuan Philippines	Philippines	Manufacture and sale of plastic caps and PET bottles	91,125	-	15,000,000	100	83,647	(5,642)	(5,642)	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	6,113,830 (US\$ 214,671)	4,689,688 (US\$ 164,666)	176,922,005	96.236	7,307,199 (US\$ 256,573)	387,594 (US\$ 13,117)	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company and international trade	7,258,925 (US\$ 254,878)	6,792,850 (US\$ 238,513)	253,163,480	100	9,503,691 (US\$ 333,697)	574,669 (US\$ 19,448)	(Note 1)	Indirect subsidiary
	Hon Chuan Africa	Samoa	Overseas reinvested holding company and international trade	384,053 (US\$ 13,485)	371,493 (US\$ 13,044)	13,485,118	100	401,796 (US\$ 14,108)	10,667 (US\$ 361)	(Note 1)	Indirect subsidiary
	Paeon Company	Seychelles	Overseas reinvested holding company	26,714 (US\$ 938)	26,714 (US\$ 938)	-	23.08	15,543 (US\$ 546)	(148) (US\$ 5)	(Note 1)	Investments accounted for using equity method
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	4,057,261 (US\$ 142,460)	4,342,061 (US\$ 152,460)	1,201,561,003	100	5,392,716 (US\$ 189,351)	279,799 (US\$ 9,469)	(Note 1)	Indirect subsidiary
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	3,076,011 (US\$ 108,006)	3,588,651 (US\$ 126,006)	108,006,000	100	4,292,449 (US\$ 150,718)	196,146 (US\$ 6,638)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	1,181,863 (US\$ 41,498)	1,181,863 (US\$ 41,498)	137,000,000	100	2,261,198 (US\$ 79,396)	266,236 (US\$ 9,010)	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps, labels, PET bottles and beverage filling OEM service	3,955,103 (US\$ 138,873)	3,489,028 (US\$ 122,508)	98,575,783	100	3,963,732 (US\$ 139,176)	115,862 (US\$ 3,921)	(Note 1)	Indirect subsidiary
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	911,360 (US\$ 32,000)	911,360 (US\$ 32,000)	-	100	1,281,344 (US\$ 44,991)	90,095 (US\$ 3,049)	(Note 1)	Indirect subsidiary
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	743,300 (US\$ 26,099)	743,300 (US\$ 26,099)	81,259,900	100	693,516 (US\$ 24,351)	64,771 (US\$ 2,192)	(Note 1)	Indirect subsidiary
	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE film	677,425 (US\$ 23,786)	677,425 (US\$ 23,786)	89,524,394	70	753,609 (US\$ 26,461)	90,981 (US\$ 3,079)	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	411,963 (US\$ 14,465)	254,042 (US\$ 8,920)	69,854,780	100	163,105 (US\$ 5,727)	(79,132) (US\$ 2,678)	(Note 1)	Indirect subsidiary
	Honly	Cambodia	Overseas reinvested holding company and international trade	51,378 (US\$ 1,804)	51,378 (US\$ 1,804)	1,002	49	52,574 (US\$ 1,846)	2,482 (US\$ 84)	(Note 1)	Indirect subsidiary
	Hon Hua	Samoa	Overseas reinvested holding company and international trade	230,688 (US\$ 8,100)	230,688 (US\$ 8,100)	8,100,000	60	262,415 (US\$ 9,214)	47,574 (US\$ 1,610)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of labels and PET bottles	121,037 (THB 126,662)	121,037 (THB 126,662)	12,666,225	65	169,580 (THB 177,461)	21,548 (THB 22,692)	(Note 1)	Indirect subsidiary
Samoa Honly	Honly Food	Cambodia	Manufacture and sale of plastic caps and PET bottles	511,700 (US\$ 17,967)	429,678 (US\$ 15,087)	17,966,248	100	162,678 (US\$ 5,712)	(72,809) (US\$ 2,464)	(Note 1)	Indirect subsidiary
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	371,493 (US\$ 13,044)	371,493 (US\$ 13,044)	3,138,790	60	386,758 (US\$ 13,580)	15,425 (US\$ 522)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sales of plastic caps PET bottles and LDPE membrane	25,888 (US\$ 909)	25,888 (US\$ 909)	-	100	106,458 (US\$ 3,738)	19,266 (US\$ 652)	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Mozambique	Manufacture and sales of plastic caps	68,979 (US\$ 2,422)	68,979 (US\$ 2,422)	-	100	69,691 (US\$ 2,447)	(3,812) (US\$ 129)	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	3,930 (US\$ 138)	3,930 (US\$ 138)	-	100	70,716 (US\$ 2,483)	49,347 (US\$ 1,670)	(Note 1)	Indirect subsidiary

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

Note 3: Information on investments in mainland China, please see Table 7.

TABLE 7

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and PET film	\$ 583,555 (US\$ 20,490)	(Note 1)	\$ 548,525 (US\$ 19,260)	\$ -	\$ -	\$ 548,525 (US\$ 19,260)	\$ (25,058)	96.236%	\$ (23,935)	\$ 933,106	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	1,509,440 (US\$ 53,000)	(Note 1)	345,719 (US\$ 12,139)	-	-	345,719 (US\$ 12,139)	205,366	96.236%	196,619	2,266,423	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	854,400 (US\$ 30,000)	(Note 1)	182,329 (US\$ 6,402)	-	-	182,329 (US\$ 6,402)	857	96.236%	621	787,021	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,310,080 (US\$ 46,000)	(Note 1)	698,500 (US\$ 24,526)	-	-	698,500 (US\$ 24,526)	(58,123)	96.236%	(55,434)	709,374	-
Jinan Hon Chuan	Manufacture and sale of plastic caps and PET bottles and beverage filling OEM service	569,600 (US\$ 20,000)	(Note 1)	211,379 (US\$ 7,422)	-	-	211,379 (US\$ 7,422)	118,935	96.236%	113,734	1,424,477	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	270,560 (US\$ 9,500)	(Note 1)	279,930 (US\$ 9,829)	-	-	279,930 (US\$ 9,829)	65,481	96.236%	62,644	870,698	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	939,840 (US\$ 33,000)	(Note 1)	325,583 (US\$ 11,432)	-	-	325,583 (US\$ 11,432)	77,596	96.236%	73,902	1,637,766	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	284,800 (US\$ 10,000)	(Note 1)	13,215 (US\$ 464)	-	-	13,215 (US\$ 464)	55,079	96.236%	52,627	323,552	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps and PET bottles and beverage filling OEM service	427,200 (US\$ 15,000)	(Note 1)	22,100 (US\$ 776)	-	-	22,100 (US\$ 776)	20,477	96.236%	20,064	405,365	-
Luoeh Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	341,760 (US\$ 12,000)	(Note 1)	-	-	-	-	21,305	96.236%	20,477	350,220	-
Anyang Hon Chuan	Manufacture and sale of plastic caps	34,919 (RMB 8,000)	(Note 1)	-	-	-	-	4,344	96.236%	4,173	44,702	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,675,468 (USD 93,942)	\$ 6,352,151 (USD 223,039)	(Note 3)

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation recognized its equity in the investee’s net income on the basis of financial statements audited by the CPA member firm of the Corporation’s auditors.

Note 3: The regulation refers to “Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China” issued by the Investment Commission of the Ministry of Economic Affairs.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

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TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Amount
Cash on hand and petty cash	\$ 295
Cash in banks	
Foreign currency deposits (Notes 1 and 2)	164,605
Demand deposits	63,863
Checking accounts	<u>465</u>
	229,228
Cash equivalent	
Investments with original maturities of 3 months or less	<u>150,944</u>
	<u>\$ 380,172</u>

Note 1: Including USD2,752 thousand, EUR13 thousand and JPY310,467 thousand.

Note 2: Foreign currency exchange rates: US\$1:NT\$28.48, EUR\$1:NT\$35.02 and JPY\$1:NT\$0.2763

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Financial Instruments	Contract Period	Shares/Units	Acquisition Cost	Fair Value	
				Price/Unit	Amount
Financial assets					
Domestic convertible bonds					
TCI Co., Ltd.	2021.06.08	160,000	\$ 16,000	\$ 104	<u>\$ 16,640</u>
Financial liabilities					
FVTPL					
Foreign exchange					
forward contracts	2020.12.15-2021.06.15	-	EUR 1,691	-	\$ 783
Foreign exchange					
forward contracts	2020.12.31-2021.01.04	-	USD 820	-	<u>336</u>
					<u>\$ 1,119</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Non-related parties	
Client (1)	\$ 23,902
Client (2)	13,765
Client (3)	11,517
Client (4)	10,441
Client (5)	10,270
Client (6)	10,198
Client (7)	8,066
Client (8)	7,365
Others (Note)	<u>48,276</u>
	<u>\$ 143,800</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF TRADE RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Non-related parties	
Client A	\$ 137,083
Client B	132,689
Client C	93,187
Client D	42,414
Others (Note)	<u>392,171</u>
	797,544
Less: Allowance for impairment loss	<u>(722)</u>
	<u>796,822</u>
Related parties	
Hon Chuan Indonesia	3,430
Hon Chuan Thailand	2,052
Hon Shi Mozambique	2,175
Suzhou Hon Chuan	1,147
Shimada	3,780
Others (Note)	<u>661</u>
	<u>13,245</u>
	<u>\$ 810,067</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Market Price (Note 1)
Finished goods	\$ 355,333	\$ 480,708
Work in process	783	783
Raw materials and supplies	438,789	445,006
Inventories in transit	<u>7,499</u>	<u>7,499</u>
	<u>\$ 802,404</u>	<u>\$ 933,996</u>

Note 1: Market price is measured at the net realizable value of inventories.

Note 2: Inventories are not pledged as collateral.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Balance, January 1, 2020			Decrease		Balance, December 31, 2020			Accumulated Impairment Loss	Guarantee or Pledge Situation	Note
	Shares/Units	Fair Value	Percent %	Shares/Units	Fair Value	Shares/Units	Fair Value	Percent %			
Domestic unlisted shares CDIB CME Fund Ltd.	2,600,000	\$ 26,754	2	(400,000)	\$ (7,502)	2,200,000	\$ 19,252	2	Note 1	Note 2	
Foreign unlisted shares Lightel Inc.	551,051	<u>8,645</u>	2.8	-	<u>-</u>	551,051	<u>8,645</u>	2.8	Note 1	Note 2	
		<u>\$ 35,399</u>			<u>\$ (7,502)</u>		<u>\$ 27,897</u>				

Note 1: Financial assets at fair value through other comprehensive income; cumulative impairment is not applicable.

Note 2: Not pledged as collateral.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2020		Increase in Investment		Decrease in Investment		Other (Note 2)	Share of Profit (Loss) of Subsidiaries and Associates	Exchange Differences on Translating the Financial Statements of Foreign Operations	Balance at December 31, 2020			Net Assets Value (Note 1)	Original Investment Amount
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	Ownership (%)	Amount		
Samoa Hon Chuan	480,943,793	\$ 16,983,695	61,445,800	\$ 1,838,368	-	\$ -	\$ (614)	\$ 939,190	\$ (351,077)	542,389,593	100	\$ 19,409,562	\$ 19,409,562	\$ 16,592,280
Bon Trust	999,000	10,615	-	-	-	-	(379)	11,487	-	999,000	99.9	21,723	21,723	9,990
Hon Chuan Cambodia	600	43,991	400	30,158	-	-	-	(3,985)	(3,735)	1,000	100	66,429	66,429	76,585
Hon Chuan Philippines	-	-	15,000,000	91,125	-	-	-	(5,642)	(1,836)	15,000,000	100	83,647	83,647	91,125
		<u>\$ 17,038,301</u>		<u>\$ 1,959,651</u>		<u>\$ -</u>	<u>\$ (993)</u>	<u>\$ 941,050</u>	<u>\$ (356,648)</u>			<u>\$ 19,581,361</u>	<u>\$ 19,581,361</u>	<u>\$ 16,769,980</u>

Note 1: Net asset value is mainly calculated based on the financial statements of the invested company and the shareholding ratio of the Corporation.

Note 2: Samoa Hon Chuan recognized the unrealized (gain) loss on its investments in equity instruments at fair value through other comprehensive income of its subsidiaries and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition; Bon Trust distributed cash dividends.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

	Balance at January 1, 2020	Additions	Balance at December 31, 2020
Cost			
Land	\$ 289,408	<u>\$ 93,105</u>	\$ 382,513
Accumulated depreciation			
Land	<u>14,030</u>	<u>\$ 15,194</u>	<u>29,224</u>
Net book value	<u>\$ 275,378</u>		<u>\$ 353,289</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF SHORT-TERM BANK LOANS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Type	Maturity Date (Note)	Interest Rate (%)	Amount
Unsecured bank loans			
Mizuho Bank Ltd.	2021.01.15	0.75	\$ 640,000
HSBC Bank	2021.02.05	0.72	<u>750,000</u>
			<u>1,390,000</u>
Purchase loans			
Hua Nan Bank	2021.01.15	1.06	<u>24,376</u>
			<u>24,376</u>
			<u>\$ 1,414,376</u>

Note: The maturity date listed is the last maturity date of multiple loans.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF SHORT-TERM BILLS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Financial Institution	Period	Interest Rate	Amount			Note
				Issuance Amount	Unamortized Amount	Carrying Amount	
Ta Ching Bills	Ta Ching Bills Finance Corporation	2020.12.18-2021.02.05	0.56%-0.60%	\$ 1,300,000	\$ -	\$ 1,300,000	-
KGI Bills	KGI Commercial Bank Co., Ltd.	2020.11.27-2021.01.15	0.58%	1,000,000	-	1,000,000	-
Tai Shin Bills	Tai Shin International Bank	2020.11.27-2021.02.23	0.59%	<u>800,000</u>	<u>-</u>	<u>800,000</u>	-
				<u>\$ 3,100,000</u>	<u>\$ -</u>	<u>\$ 3,100,000</u>	

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Non-related parties	
Company A	\$ 28,183
Others (Note)	<u>362,152</u>
	<u>390,335</u>
Related parties	
Hon Chuan Indonesia	16,727
Hon Fu Thailand	3,611
Qingxin Hon Chuan	1,937
Others (Note)	<u>954</u>
	<u>23,229</u>
	<u>\$ 413,564</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Bonds Name	Trustee	Issuance Date	Interest Payment Date And Repayment Method	Coupon Rate	Amount					Repayment Terms	Collateral	Note
					Total Amount	Repayment Paid	Balance, End of Year	Issuance Costs	Carrying Value			
Taiwan Hon Chuan Enterprise Co., LTD. first unsecured bonds in 2018	Yuanta Securities Co., LTD.	2018.04.27	Repayable on April 27; interest payable annually	1.07%	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ (2,596)</u>	<u>\$ 2,997,404</u>	Principal to be paid at maturity from the date of issuance	-	-

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF LONG-TERM BANK LOANS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Type	Loan Term	The Repayment Method	Interest Rates (%)	Current Portion of Long-term Bank Loans	Long-term Bank Loans	Total
Credit borrowings						
KGI Commercial Bank Co., Ltd.	2020.03.31-2022.03.31	Repayment of loan on the maturity date as stated in the contract	1.09	\$ -	\$ 700,000	\$ 700,000
Hua Nan Commercial Bank, Ltd.	2019.10.31-2024.10.31	Repayment of loan on the maturity date as stated in the contract	0.35-1.13	46,967	1,170,657	1,217,624
E.SUN Commercial Bank, Ltd.	2019.07.15-2026.07.15	Repayment of loan on the maturity date as stated in the contract	0.10-1.20	-	1,527,440	1,527,440
Mizuho Bank	2020.10.29-2023.10.23	Repayment of loan on the maturity date as stated in the contract	0.93	-	1,000,000	1,000,000
Taipei Fubon Bank Commercial Bank Co., Ltd.	2019.10.31-2024.10.31	Repayment of loan on the maturity date as stated in the contract	0.54-1.30	13	600,222	600,235
Bank of Taiwan	2020.09.01-2022.09.01	Repayment of loan on the maturity date as stated in the contract	0.75	-	200,000	200,000
Taichung Commercial Bank Co., Ltd.	2020.12.30-2022.06.30	Repayment of loan on the maturity date as stated in the contract	1.23	-	300,000	300,000
Export-Import Bank of the Republic of China	2020.01.03-2025.01.03	Repayment of loan on the maturity date as stated in the contract	0.63	-	911,387	911,387
				<u>\$ 46,980</u>	<u>\$ 6,409,706</u>	<u>\$ 6,456,686</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Summary	Lease Term	Discount Rate (%)	Amount	Notes
Land	Lease land	2005.12.14-2057.07.04	1.18%	\$ 356,865	-
Less: current portion				<u>(14,623)</u>	
Lease liabilities - non-current				<u>\$ 342,242</u>	

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF NET SALES REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (In thousands of Units)	Amount
Beverage filling	79,874 box/case	\$ 3,346,250
PET bottles (including PET preforms)	1,151,170 piece	1,950,289
Plastic caps	2,431,938 each	851,708
Aluminum closures	714,443 each	555,618
Packing material of alcohol and tobacco	3,573 roll/piece	440,092
Labels	782,430 piece	362,269
Others		<u>462,703</u>
Total		7,968,929
Less: Sales return		(6,915)
Sales discount		<u>(50,966)</u>
		<u>\$ 7,911,048</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.
STATEMENT OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials and supplies, beginning of year	\$ 441,992
Raw material and supplies purchased	3,025,902
Sale of raw material and supplies	(14,878)
Others	(678,078)
Raw material and supplies, end of year	<u>(448,452)</u>
Raw material and supplies used	2,326,486
Direct labor	513,210
Manufacturing overhead	<u>2,530,270</u>
Manufacturing cost	5,369,966
Work in process, beginning of year	14,255
Work in process, end of year	<u>(783)</u>
Cost of finished goods	5,383,438
Finished goods, beginning of year	361,991
Finished goods purchased	563,124
Cost of goods sold of raw material and supplies	14,878
Cost of goods sold of inventory of supplies	5,848
Others	(11,556)
Finished goods, end of year	<u>(356,815)</u>
Cost of goods sold of finished goods	5,960,908
Income from sale of scrap	(29,199)
Inventories scrapped	7,594
Inventories shortage	254
Income from tax refund	<u>(27)</u>
Cost of goods sold	<u>\$ 5,939,530</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries and bonuses	\$ 93,320	\$ 152,759	\$ 50,993	\$ 297,072
Taxes	239,698	11,609	45	251,352
Miscellaneous expenses	54,299	15,286	15,130	84,715
Depreciation expenses	29,392	47,443	4,589	81,424
Shipping expenses	43,616	20	-	43,636
Export expenses	40,494	-	-	40,494
Others	<u>68,060</u>	<u>105,712</u>	<u>9,598</u>	<u>183,370</u>
	<u>\$ 568,879</u>	<u>\$ 332,829</u>	<u>\$ 80,355</u>	<u>\$ 982,063</u>