

Taiwan Hon Chuan Enterprise Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 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, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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, 2021. 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 matter identified in the Corporation's financial statements for the year ended December 31, 2021 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 design of the internal controls related to revenue recognition and tested the operating effectiveness of the key controls. We also sampled and tested the effective continued operations of relevance controls
2. We selected 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 orders.

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, 2021 and 2020, 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 NTD3,317,752 thousand and NTD4,236,058 thousand, representing 10.91% and 14.78%, respectively, of the Corporation's total assets as of December 31, 2021 and 2020. The comprehensive income of these investees was NTD420,219 thousand and NTD421,102 thousand, representing 29.59% and 32.52%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2021 and 2020.

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, 2021 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 Shao-Chun Wu and Hsiao-Feng Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 22, 2022

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 911,993	3	\$ 380,172	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	16,640	-
Notes receivable from unrelated parties (Note 4)	180,418	1	143,800	1
Trade receivables from unrelated parties (Notes 4 and 9)	1,006,027	3	796,822	3
Trade receivables from related parties (Notes 4 and 26)	20,958	-	13,245	-
Inventories (Notes 4 and 10)	1,024,130	4	802,404	3
Other current assets (Notes 14 and 26)	<u>355,305</u>	<u>1</u>	<u>316,973</u>	<u>1</u>
Total current assets	<u>3,498,831</u>	<u>12</u>	<u>2,470,056</u>	<u>9</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	24,894	-	27,897	-
Long-term investments accounted for using the equity method (Notes 4 and 11)	19,971,100	66	19,581,361	68
Property, plant and equipment (Notes 4, 12 and 26)	6,260,952	20	5,605,344	20
Right-of-use assets (Notes 4 and 13)	336,932	1	353,289	1
Intangible assets (Note 4)	10,515	-	1,181	-
Deferred tax assets (Notes 4 and 21)	10,868	-	7,101	-
Prepayments for equipment	258,445	1	583,788	2
Other non-current assets (Note 14)	<u>32,143</u>	<u>-</u>	<u>32,092</u>	<u>-</u>
Total non-current assets	<u>26,905,849</u>	<u>88</u>	<u>26,192,053</u>	<u>91</u>
TOTAL	<u>\$ 30,404,680</u>	<u>100</u>	<u>\$ 28,662,109</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 2,067,000	7	\$ 1,414,376	5
Short-term bills payable (Note 15)	1,200,000	4	3,100,000	11
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,119	-
Notes payable to unrelated parties	29	-	637	-
Trade payables to unrelated parties	385,227	2	390,335	1
Trade payables to related parties (Note 26)	2,341	-	23,229	-
Current tax liabilities (Notes 4 and 21)	348,381	1	171,722	1
Lease liabilities - current (Notes 4 and 13)	14,797	-	14,623	-
Deferred revenue - current (Notes 4 and 23)	16,562	-	11,055	-
Current portion of long-term liabilities (Notes 4, 15 and 23)	955,744	3	46,980	-
Other current liabilities (Note 17)	<u>679,221</u>	<u>2</u>	<u>567,127</u>	<u>2</u>
Total current liabilities	<u>5,669,302</u>	<u>19</u>	<u>5,741,203</u>	<u>20</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	5,993,313	20	2,997,404	11
Long-term borrowings (Notes 4, 15 and 23)	4,862,932	16	6,409,706	22
Deferred tax liabilities (Notes 4 and 21)	24,283	-	24,283	-
Lease liabilities - non-current (Notes 4 and 13)	327,445	1	342,242	1
Deferred revenue - non-current (Notes 4 and 23)	59,786	-	52,014	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	3,144	-	13,996	-
Guarantee deposits received	<u>4,250</u>	<u>-</u>	<u>5,250</u>	<u>-</u>
Total non-current liabilities	<u>11,275,153</u>	<u>37</u>	<u>9,844,895</u>	<u>34</u>
Total liabilities	<u>16,944,455</u>	<u>56</u>	<u>15,586,098</u>	<u>54</u>
EQUITY				
Ordinary shares	2,877,859	9	2,877,859	10
Capital surplus	5,395,572	18	5,395,572	19
Retained earnings				
Legal reserve	1,821,033	6	1,670,003	6
Special reserve	2,311,175	7	1,955,038	7
Unappropriated earnings	3,909,801	13	3,488,714	12
Other equity	<u>(2,855,215)</u>	<u>(9)</u>	<u>(2,311,175)</u>	<u>(8)</u>
Total equity	<u>13,460,225</u>	<u>44</u>	<u>13,076,011</u>	<u>46</u>
TOTAL	<u>\$ 30,404,680</u>	<u>100</u>	<u>\$ 28,662,109</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 8,013,934	100	\$ 7,911,048	100
COST OF GOODS SOLD (Notes 4, 10, 20 and 26)	<u>5,953,584</u>	<u>74</u>	<u>5,939,530</u>	<u>75</u>
GROSS PROFIT	<u>2,060,350</u>	<u>26</u>	<u>1,971,518</u>	<u>25</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	649,234	8	568,879	7
General and administrative expenses	342,718	5	332,829	4
Research and development expenses	<u>85,582</u>	<u>1</u>	<u>80,355</u>	<u>1</u>
Total operating expenses	<u>1,077,534</u>	<u>14</u>	<u>982,063</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>982,816</u>	<u>12</u>	<u>989,455</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 4 and 20)	32,570	-	14,504	-
Finance costs (Notes 4, 20 and 23)	(124,103)	(1)	(124,698)	(2)
Share of profit of subsidiaries (Note 4)	1,278,398	16	941,050	12
Interest income	703	-	362	-
Net foreign exchange loss (Note 4)	<u>(25,918)</u>	<u>-</u>	<u>(12,059)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,161,650</u>	<u>15</u>	<u>819,159</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	2,144,466	27	1,808,614	23
INCOME TAX EXPENSE (Notes 4 and 21)	<u>179,735</u>	<u>2</u>	<u>153,202</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,964,731</u>	<u>25</u>	<u>1,655,412</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(1,019)	-	(5,390)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(3,003)	-	(3,502)	-

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Share of the other comprehensive income of associates accounted for using the equity method (Note 11)	\$ 1,029	-	\$ 4,013	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 21)	204	-	1,078	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(541,699)</u>	<u>(7)</u>	<u>(356,648)</u>	<u>(5)</u>
Other comprehensive loss for the year, net of income tax	<u>(544,488)</u>	<u>(7)</u>	<u>(360,449)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,420,243</u>	<u>18</u>	<u>\$ 1,294,963</u>	<u>16</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 6.83</u>		<u>\$ 5.72</u>	
Diluted	<u>\$ 6.81</u>		<u>\$ 5.70</u>	

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

			Retained Earnings (Notes 4, 18 and 19)			Other Equity (Note 4)			
	Share Capital (Note 19)	Capital Surplus (Notes 4 and 19)	Legal Reserve	Special Reserve	Unappropriated Earnings	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
BALANCE AT JANUARY 1, 2020	\$ 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 income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,312)	(356,648)	511	-	(360,449)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,651,100	(356,648)	511	-	1,294,963
Buy-back of treasury shares	-	-	-	-	-	-	-	(277,423)	(277,423)
Cancellation of treasury shares	(50,930)	(85,680)	-	-	(140,813)	-	-	277,423	-
BALANCE AT DECEMBER 31, 2020	2,877,859	5,395,572	1,670,003	1,955,038	3,488,714	(2,299,814)	(11,361)	-	13,076,011
Appropriation of 2020 earnings									
Legal reserve	-	-	151,030	-	(151,030)	-	-	-	-
Special reserve	-	-	-	356,137	(356,137)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,036,029)	-	-	-	(1,036,029)
Net profit for the year ended December 31, 2021	-	-	-	-	1,964,731	-	-	-	1,964,731
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(448)	(541,699)	(2,341)	-	(544,488)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,964,283	(541,699)	(2,341)	-	1,420,243
BALANCE AT DECEMBER 31, 2021	\$ 2,877,859	\$ 5,395,572	\$ 1,821,033	\$ 2,311,175	\$ 3,909,801	\$ (2,841,513)	\$ (13,702)	\$ -	\$ 13,460,225

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,144,466	\$ 1,808,614
Adjustments for:		
Depreciation and amortization expenses	725,318	632,346
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
Finance costs	124,103	124,698
Interest income	(703)	(362)
Share of gain of subsidiaries accounted for using the equity method	(1,278,398)	(941,050)
Loss on disposal of property, plant and equipment	995	745
Write-down of inventories	9,442	-
Unrealized net loss on foreign currency exchange	24,630	3,903
Reversal of deferred revenue	(14,573)	(8,197)
Net changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	15,521	24,347
Notes receivable	(36,618)	(3,921)
Trade receivables	(217,272)	282,668
Inventories	(231,168)	14,847
Other current assets	(38,434)	(2,404)
Notes payable	(608)	(16)
Trade payables	(25,974)	(95,790)
Other current liabilities	69,280	28,688
Net defined benefit liabilities	(11,871)	(12,534)
Deferred revenue	10,500	5,250
Cash generated from operations	1,268,636	1,871,012
Interest received	641	325
Interest paid	(101,206)	(110,674)
Income tax paid	(6,639)	(79,029)
Net cash generated from operating activities	<u>1,161,432</u>	<u>1,681,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of capital from financial assets at fair value through other comprehensive income	-	4,000
Proceeds from capital reduction of associates	337,467	-
Payments for property, plant and equipment	(848,127)	(528,462)
Proceeds from disposal of property, plant and equipment	11,056	1,508
Increase in refundable deposits	(1,517)	(3,303)
Payments for intangible assets	(10,922)	-
Increase in prepayments for equipment	(159,717)	(479,191)

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Dividend received	\$ 10,522	\$ 379
Other investing activities	<u>-</u>	<u>(4,188)</u>
Net cash used in investing activities	<u>(661,238)</u>	<u>(1,009,257)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	652,624	(685,088)
Increase (decrease) in short-term bills payable	(1,900,000)	1,725,000
Proceeds from issuance of bonds	2,994,700	-
Proceeds from long-term borrowings	2,030,208	2,608,546
Repayments of long-term borrowings	(2,670,000)	(970,000)
Increase (decrease) in guarantee deposits received	(1,000)	750
Repayment of the principal portion of lease liabilities	(14,623)	(13,162)
Dividends paid to owners of the Corporation	(1,036,029)	(878,637)
Payments for transaction costs attributable to the buy-back of ordinary shares	-	(277,423)
Acquisition of additional interests in subsidiaries	-	(1,959,651)
Unclaimed dividends after the expiry date	<u>-</u>	<u>7</u>
Net cash generated from (used in) financing activities	<u>55,880</u>	<u>(449,658)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(24,253)</u>	<u>(2,332)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	531,821	220,387
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>380,172</u>	<u>159,785</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 911,993</u>	<u>\$ 380,172</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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 22, 2022.

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 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are 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” are 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” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 3: 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.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the 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 denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary 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 and associates 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 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 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 included in the calculation of equity transactions but 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.

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 that constitutes 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 of a subsidiary that constitutes a business 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.

Except for freehold land which is not depreciated, the 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

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, 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 a 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 as at FVTPL. 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 assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial 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 a loss 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 considers 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 financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are 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 the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

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 stated 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 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 represent the actual deficit 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.

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 ventures, 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 such temporary differences 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand and petty cash	\$ 315	\$ 295
Checking accounts and demand deposits	281,958	228,933
Cash equivalent		
Time deposits with original maturities of 3 months or less	<u>629,720</u>	<u>150,944</u>
	<u>\$ 911,993</u>	<u>\$ 380,172</u>

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

	December 31	
	2021	2020
Bank balance	0.00-0.05	0.00-0.05
Time deposits with original maturities of 3 months or less	0.23-0.30	0.30

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

	December 31	
Financial Assets at Fair Value through Profit or Loss - Current	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic convertible bonds	<u>\$ -</u>	<u>\$ 16,640</u>
Financial Liabilities at Fair Value through Profit or Loss - Current		
<u>Financial liabilities mandatorily classified as at FVTPL</u>		
Derivative financial liabilities		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 1,119</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting 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

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

	December 31	
	2021	2020
<u>Domestic investments</u>		
Unlisted shares	\$ 16,249	\$ 19,252
<u>Foreign investments</u>		
Unlisted shares	<u>8,645</u>	<u>8,645</u>
	<u>\$ 24,894</u>	<u>\$ 27,897</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	
At Amortized Cost	2021	2020
Trade receivables from unrelated parties	\$ 1,006,749	\$ 797,544
Less: Allowance for impairment loss	<u>(722)</u>	<u>(722)</u>
	<u>\$ 1,006,027</u>	<u>\$ 796,822</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, 2021</u>						
Gross carrying amount	\$ 972,135	\$ 34,028	\$ 521	\$ -	\$ 65	\$ 1,006,749
Loss allowance (Lifetime ECLs)	<u>(439)</u>	<u>(202)</u>	<u>(16)</u>	<u>-</u>	<u>(65)</u>	<u>(722)</u>
Amortized cost	<u>\$ 971,696</u>	<u>\$ 33,826</u>	<u>\$ 505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,027</u>
<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>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1 and December 31	<u>\$ 722</u>	<u>\$ 722</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Finished goods	\$ 402,772	\$ 355,333
Work in progress	8,586	783
Raw materials	611,432	438,789
Inventory in transit	<u>1,340</u>	<u>7,499</u>
	<u>\$ 1,024,130</u>	<u>\$ 802,404</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$5,953,584 thousand and \$5,939,530 thousand, respectively.

The cost of goods sold for the years ended December 31, 2021 included inventory write-downs of \$9,442 thousand.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries	December 31	
	2021	2020
<u>Unlisted company</u>		
Hon Chuan Holding Limited (“Samoa Hon Chuan”)	\$ 19,802,388	\$ 19,409,562
Bon Trust International Trade Co., Ltd. (“Bon Trust”)	28,904	21,723
Hon Chuan (Cambodia) Co., Ltd. (“Hon Chuan Cambodia”)	64,205	66,429
Hon Chuan (Philippines) Co., Ltd. (“Hon Chuan Philippines”)	<u>75,603</u>	<u>83,647</u>
	<u>\$ 19,971,100</u>	<u>\$ 19,581,361</u>
Proportion of Ownership and Voting Rights (%)		
Name of Subsidiary	December 31	
	2021	2020
Samoa Hon Chuan	100	100
Bon Trust	99.9	99.9
Hon Chuan Cambodia	100	100
Hon Chuan Philippines	100	100

12. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>For the Year Ended December 31, 2021</u>					
Cost					
Freehold land	\$ 467,045	\$ 125,000	\$ -	\$ -	\$ 592,045
Buildings	2,931,965	30,797	-	78,090	3,040,852
Equipment	5,545,083	95,622	(73,548)	299,786	5,866,943
Other equipment	3,613,872	177,541	(42,040)	209,627	3,959,000
Property under construction	<u>91,558</u>	<u>459,547</u>	<u>-</u>	<u>(102,443)</u>	<u>448,662</u>
	<u>12,649,523</u>	<u>\$ 888,507</u>	<u>\$ (115,588)</u>	<u>\$ 485,060</u>	<u>13,907,502</u>
Accumulated depreciation					
Buildings	697,004	\$ 83,182	\$ -	\$ -	780,186
Equipment	4,073,197	337,748	(67,158)	-	4,343,787
Other equipment	<u>2,273,978</u>	<u>284,978</u>	<u>(36,379)</u>	<u>-</u>	<u>2,522,577</u>
	<u>7,044,179</u>	<u>\$ 705,908</u>	<u>\$ (103,537)</u>	<u>\$ -</u>	<u>7,646,550</u>
	<u>\$ 5,605,344</u>				<u>\$ 6,260,952</u>

	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	19,238	72,320	-	-	91,558
	<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	2,101,209	241,423	(68,654)	-	2,273,978
	<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>

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	3-25 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	<u>\$ 336,932</u>	<u>\$ 353,289</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 93,105</u>
Depreciation charge for right-of-use assets		
Land	<u>\$ 16,357</u>	<u>\$ 15,194</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	\$ 14,797	\$ 14,623
Non-current	\$ 327,445	\$ 342,242

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
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	
	2021	2020
Expenses relating to short-term leases	\$ 79,285	\$ 70,447
Total cash outflow for leases	\$ (98,016)	\$ (87,338)

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	
	2021	2020
Office supplies	\$ 304,700	\$ 271,257
Prepaid expenses and prepayment for purchases	32,352	27,891
Refundable deposits	29,616	28,099
Other receivables	17,341	17,825
Others	3,439	3,993
	<u>\$ 387,448</u>	<u>\$ 349,065</u>
Current	\$ 355,305	\$ 316,973
Non-current	<u>32,143</u>	<u>32,092</u>
	<u>\$ 387,448</u>	<u>\$ 349,065</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 6,596	\$ -
Add: Impairment loss	<u>-</u>	<u>6,596</u>
Balance at December 31	<u>\$ 6,596</u>	<u>\$ 6,596</u>

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 2,067,000	\$ 1,390,000
Loans for purchasing raw materials	<u>-</u>	<u>24,376</u>
	<u>\$ 2,067,000</u>	<u>\$ 1,414,376</u>

Rate of interest per annum (%)

Line of credit borrowings	0.55-0.70	0.72-0.75
Loans for purchasing raw materials	-	1.06

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	<u>\$ 1,200,000</u>	<u>\$ 3,100,000</u>

Rate of interest per annum (%)

Commercial paper	0.56-0.58	0.56-0.60
------------------	-----------	-----------

c. Long-term borrowings

	December 31	
	2021	2020
Line of credit borrowings - October 2023 to July 2026	\$ 4,871,257	\$ 6,511,048
Less: Current portion	(955,744)	(46,980)
Discounts on government grants (Note 23)	(52,581)	(54,362)
Bill of credit borrowings - June 2025	<u>1,000,000</u>	<u>-</u>
Long-term borrowings	<u>\$ 4,862,932</u>	<u>\$ 6,409,706</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	0.10-0.93	0.10-1.30
Bill of credit borrowings	0.708	-

16. BONDS PAYABLE

	December 31	
	2021	2020
Unsecured domestic bonds	\$ 6,000,000	\$ 3,000,000
Less: Bonds discount	<u>(6,687)</u>	<u>(2,596)</u>
	<u>\$ 5,993,313</u>	<u>\$ 2,997,404</u>

On November 26, 2021, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 0.75% and an effective interest rate of 0.7862%. The principal is repayable in cash upon maturity (November 26, 2026).

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	
	2021	2020
Payables for salaries	\$ 187,327	\$ 172,986
Payables for purchases of equipment	123,885	83,596
Payables for bonus to employees	37,433	33,066
Payables for annual leave	27,096	25,305
Advance receipts	24,151	24,363
Payables for remuneration of directors	17,294	14,586
Others	<u>262,035</u>	<u>213,225</u>
	<u>\$ 679,221</u>	<u>\$ 567,127</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	
	2021	2020
Present value of defined benefit obligation	\$ 136,562	\$ 138,480
Fair value of plan assets	<u>(133,418)</u>	<u>(124,484)</u>
Net defined benefit liabilities	<u>\$ 3,144</u>	<u>\$ 13,996</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<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>
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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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>
Service cost			
Current service cost	421	-	421
Net interest expense (income)	<u>484</u>	<u>(456)</u>	<u>28</u>
Recognized in profit or loss	<u>905</u>	<u>(456)</u>	<u>449</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,764)	(1,764)
Actuarial loss - changes in demographic assumptions	5,272	-	5,272
Actuarial gain - changes in financial assumptions	(3,678)	-	(3,678)
Actuarial loss - experience adjustments	<u>1,189</u>	<u>-</u>	<u>1,189</u>
Recognized in other comprehensive income	<u>2,783</u>	<u>(1,764)</u>	<u>1,019</u>
Contributions from the employer	-	(12,320)	(12,320)
Benefits paid	<u>(5,606)</u>	<u>5,606</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 136,562</u>	<u>\$ (133,418)</u>	<u>\$ 3,144</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	
	2021	2020
Discount rate(s)	0.750%	0.350%
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	
	2021	2020
Discount rate		
0.25% increase	\$ (2,351)	\$ (2,471)
0.25% decrease	\$ 2,420	\$ 2,547
Expected rate of salary increase/decrease		
0.25% increase	\$ 2,331	\$ 2,439
0.25% decrease	\$ (2,276)	\$ (2,379)

The above sensitivity analysis 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	
	2021	2020
Expected contributions to the plans for the next year	\$ 12,320	\$ 11,843
Average duration of the defined benefit obligation	9 years	9 years

19. EQUITY

a. Share capital

	December 31	
	2021	2020
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	287,786
Shares issued	\$ 2,877,859	\$ 2,877,859

b. Capital surplus

	December 31	
	2021	2020
Arising from issuance of common shares (1)	\$ 4,841,447	\$ 4,841,447
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (1)	353,848	353,848
Other (2)	200,277	200,277
	<u>\$ 5,395,572</u>	<u>\$ 5,395,572</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.

The appropriations of cash dividends per share for 2020 and 2019 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Legal reserve	\$ 151,030	\$ 138,104		
Special reserve	356,137	209,737		
Cash dividends	1,036,029	878,637	\$3.60	\$3.05

The appropriation of earnings as cash dividends has been resolved by the Corporation's board of directors in March 2021 and March 2020, the other proposed appropriations will be resolved by the shareholders in their meetings in July 2021 and June 2020.

The appropriation of earnings for 2021, which was proposed/resolved by the Corporation's board of directors on March 22, 2022, was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
<u>Proposed</u>		
Legal reserve	\$ 196,428	
Special reserve	544,040	
<u>Resolved</u>		
Cash dividends	\$ 1,237,479	\$ 4.30

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 17, 2022.

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	Increase During the Year	Decrease During the Year	Number of Shares at December 31
<u>For the Year Ended December 31, 2020</u>				
Shares cancelled	<u>-</u>	<u>5,093,000</u>	<u>(5,093,000)</u>	<u>-</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 includes the following items:

a. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Loss on disposal of property, plant and equipment	\$ (995)	\$ (745)
Gain on valuation of financial assets and liabilities at FVTPL	674	2,270
Miscellaneous income	32,891	26,516
Other losses	<u>-</u>	<u>(13,537)</u>
	<u>\$ 32,570</u>	<u>\$ 14,504</u>

b. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank	\$ 65,370	\$ 76,470
Interest on convertible bonds	35,492	33,196
Interest on lease liabilities	4,108	3,729
Other interest expenses (Note 23)	<u>19,133</u>	<u>11,303</u>
	<u>\$ 124,103</u>	<u>\$ 124,698</u>

c. Employee benefits expense, depreciation and amortization expenses

	For the Year Ended December 31					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	\$ 724,390	\$ 306,314	\$ 1,030,704	\$ 692,547	\$ 287,439	\$ 979,986
Labor and health insurance expense	65,929	24,652	90,581	59,361	22,003	81,364
Pension expense	25,407	9,994	35,401	24,346	9,633	33,979
Other employee benefits expense	4,716	11,371	16,087	1,946	11,539	13,485
Remuneration of directors	-	17,294	17,294	-	14,586	14,586
Depreciation expenses	643,486	78,779	722,265	548,492	81,424	629,916
Amortization expenses	1,885	1,168	3,053	1,885	545	2,430

For the years ended December 31, 2021 and 2020, the average number of employees of the Corporation was 1,537 and 1,533, respectively, which included both 5 non-employee directors. The calculation basis is consistent with employee benefits expense.

For the years ended December 31, 2021 and 2020, the average employee benefits expense was \$766 and \$726 thousand, respectively. For the years ended December 31, 2021 and 2020, the average employee salary was \$673 and \$641 thousand, respectively. The average employee salary increased by 5% 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, 2021 and 2020 which have been approved by the Corporation's board of directors on March 22, 2022 and March 23, 2021, respectively, were as follows:

	For the Year Ended December 31			
	2021		2020	
	%	Cash	%	Cash
Compensation of employees	1.70%	\$ 37,433	1.78%	\$ 33,066
Remuneration of directors	0.79%	17,294	0.79%	14,586

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, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 176,733	\$ 171,726
Adjustments for prior year	6,565	(18,195)
Deferred tax		
In respect of the current year	<u>(3,563)</u>	<u>(329)</u>
Income tax expense recognized in profit or loss	<u>\$ 179,735</u>	<u>\$ 153,202</u>

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

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate	\$ 428,893	\$ 361,723
Nondeductible expenses in determining taxable income	20	25
Deductible items in determining taxable income	-	(209)
Unrecognized deductible temporary differences	(252,139)	(185,913)
Tax-exempt income	(3,604)	(4,229)
Adjustments for prior years' tax	<u>6,565</u>	<u>(18,195)</u>
Income tax expense recognized in profit or loss	<u>\$ 179,735</u>	<u>\$ 153,202</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of current period		
- Remeasurement of defined benefit plans	<u>\$ 204</u>	<u>\$ 1,078</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2021			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 2,799	\$ (2,374)	\$ 204	\$ 629
Others	<u>4,302</u>	<u>5,937</u>	<u>-</u>	<u>10,239</u>
	<u>\$ 7,101</u>	<u>\$ 3,563</u>	<u>\$ 204</u>	<u>\$ 10,868</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	<u>\$ 24,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,283</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 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>
<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>

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$703,935 thousand and \$559,930 thousand, respectively.

- e. Income tax assessments

Income tax returns of the Corporation through 2019 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, 2021</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,964,731	287,786	<u>\$ 6.83</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>632</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,964,731</u>	<u>288,418</u>	<u>\$ 6.81</u>

	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>

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, 2021, according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” made by the government, the Corporation borrowed \$3,047,659 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%-1.35% for an equivalent loan, the fair value of the loan was estimated at \$2,963,289 thousand on initial recognition. The difference of \$84,370 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, 2021, the amount recognized in other revenue was \$13,048 thousand and interest expense recognized on this loan was \$19,133thousand.

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 a 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, 2021</u>				
Financial assets at fair value through other comprehensive income				
Equity investments				
Unlisted shares	\$ _____ -	\$ _____ -	\$ 24,894	\$ 24,894
<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

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

- 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.
- 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.
- 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	
	2021	2020
Balance at January 1	\$ 27,897	\$ 35,399
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(3,003)	(3,502)
Return of capital due to capital reduction of invested companies	<u>-</u>	<u>(4,000)</u>
Balance at December 31	<u>\$ 24,894</u>	<u>\$ 27,897</u>

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ -	\$ 16,640
Financial assets at amortized cost		
Cash and cash equivalents	911,993	380,172
Notes receivable and trade receivables	1,207,403	953,867
Financial assets at fair value through other comprehensive income - equity investments	24,894	27,897
Other receivables	17,341	17,825
Refundable deposits	29,616	28,099
<u>Financial liabilities</u>		
Hold for trading at FVTPL	-	1,119
Amortized cost		
Short-term borrowings	2,067,000	1,414,376
Short-term bills payable	1,200,000	3,100,000
Notes payable and trade payables	387,597	414,201
Bonds payable	5,993,313	2,997,404
Long-term borrowings (including current portion)	5,818,676	6,456,686
Other payables	385,920	296,821
Guarantee deposits received	4,250	5,250

c. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings and bonds payable. 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 and JPY.

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 NTD against the USD, the pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$7,797 thousand and \$2,378 thousand, respectively. Assuming a 1% strengthening in the NTD against the JPY, the pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$1,525 thousand and \$904 thousand, respectively.

Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 7,535,555	\$ 6,454,269
Cash flow interest rate risk		
Financial liabilities	7,885,676	7,871,062

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, 2021 and 2020 would decrease by \$9,857 thousand and \$9,839 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 maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the guarantee being exercised.

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 49% and 50%, respectively, in total trade receivables as of December 31, 2021 and 2020. 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, 2021 and 2020, the Corporation had available unutilized short-term bank loan facilities of \$13,130,381 thousand and \$9,302,648 thousand, respectively.

The following table has been drawn up based on the undiscounted cash flows of financial liabilities from the due date.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Borrowings	\$ 3,022,744	\$ 4,862,932	\$ -
Short-term bills payable	1,200,000	-	-
Non-interest bearing liabilities	387,597	-	-
Bonds payable	-	5,993,313	-
Lease liabilities	<u>18,735</u>	<u>70,514</u>	<u>314,739</u>
	<u>\$ 4,629,076</u>	<u>\$ 10,926,759</u>	<u>\$ 314,739</u>
<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>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
<u>December 31, 2021</u>						
Lease liabilities	<u>\$ 18,735</u>	<u>\$ 70,514</u>	<u>\$ 72,956</u>	<u>\$ 56,383</u>	<u>\$ 56,384</u>	<u>\$ 129,016</u>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$ 18,735</u>	<u>\$ 74,151</u>	<u>\$ 75,297</u>	<u>\$ 57,864</u>	<u>\$ 56,384</u>	<u>\$ 140,293</u>

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

Related Party Name	Related Party Category
Bon Trust	Subsidiary
Hon Chuan Cambodia	Subsidiary
Samoa Hon Chuan	Subsidiary
Hon Chuan (China) Holdings Co., Ltd. ("Hon Chuan China")	Subsidiary
HC (Asia) Holdings Co., Ltd. ("Hon Chuan Asia")	Subsidiary

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
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
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 (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 Enterprise Packing (Luohe) Co., Ltd. (“Luohe 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
(Concluded)	

b. Business transaction

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Sales of goods</u>		
Subsidiary	\$ <u>76,665</u>	\$ <u>63,280</u>
<u>Purchases of goods</u>		
Subsidiary	\$ <u>129,512</u>	\$ <u>109,143</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	
		2021	2020
<u>Accounts receivable</u>			
Subsidiary		\$ 20,958	\$ 13,245
<u>Other receivables</u>			
Subsidiary		\$ 1,753	\$ -
Shimada		610	-
Other			
		\$ 2,363	\$ -
<u>Accounts payable</u>			
Subsidiary		\$ 2,341	\$ 23,229
c. Property, plant and equipment			
		Get the Price	
		For the Year Ended December 31	
Related Party Category		2021	2020
Subsidiary		\$ 3,156	\$ 9,343
d. Disposal of property, plant and equipment			
		December 31, 2021	
Related Party Category/Name		Price of Disposal	Gain on Disposal
Subsidiary			
Hon Fu Thailand		\$ 2,570	\$ 232
e. Endorsements and guarantees (USD thousand)			
		December 31	
Related Party Category/Name		2021	2020
Subsidiaries			
Hon Chuan China		\$ 40,000	\$ 40,000
Hon Chuan Indonesia		23,940	23,940
Samoa Hon Chuan		10,000	69,000
Hon Chuan Asia		5,700	22,000
others		20,940	40,790
		\$ 100,580	\$ 195,730

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 58,072	\$ 49,908
Post-employment benefits	<u>157</u>	<u>235</u>
	<u>\$ 58,229</u>	<u>\$ 50,143</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, 2021 and 2020 were as follows:

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$222,025 thousand and \$291,501 thousand, respectively.
- b. Unrecognized commitments were as follows:

	December 31	
	2021	2020
Acquisition of property, plant and equipment	<u>\$ 955,559</u>	<u>\$ 316,376</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						
	2021			2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>						
USD	\$	28,972	27.68	\$	11,102	28.48
JPY		634,286	0.24		327,164	0.28
<u>Investments accounted for using the equity method</u>						
USD		720,455	27.68		686,785	28.48
<u>Financial liabilities of monetary items</u>						
USD		804	27.68		2,753	28.48

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

For the Year Ended December 31				
Foreign Currency	Exchange Rate	2021	2020	
		Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Losses
USD	28.01 (USD:NTD)	\$ (9,371)	29.55 (USD:NTD)	\$ (3,136)
JPY	0.26 (JPY:NTD)	(15,281)	0.28 (JPY:NTD)	(188)
EUR	33.16 (EUR:NTD)	<u>22</u>	33.71 (EUR:NTD)	<u>(579)</u>
		<u>\$ (24,630)</u>		<u>\$ (3,903)</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. This case was denied by the Supreme Administrative Court on November 25, 2021, and the case was concluded.

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. (Table 5)
 - 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 6)
 - 9) Trading in derivative instruments. (Note 7)
 - 10) Information on investees. (Table 7)
- 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 8)
 - 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 OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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		
0	The Corporation	Shimada	Other receivable - related parties	Yes	\$ 1,753 (US\$ 63)	\$ 1,753 (US\$ 63)	\$ 1,753 (US\$ 63)	-	Business transaction	\$ 3,674 (US\$ 133)	-	\$ -	-	\$ -	\$ 3,674	\$ 5,222,104
		Hon Shi Mozambique	Other receivable - related parties	Yes	610 (US\$ 22)	610 (US\$ 22)	610 (US\$ 22)	-	Business transaction	610 (US\$ 22)	-	-	-	-	610	5,222,104
1	Samoa Hon Chuan	Hon Chuan Cambodia	Receivable from related parties	Yes	27,680 (US\$ 1,000)	13,840 (US\$ 500)	13,840 (US\$ 500)	2.15% - 2.27%	Short-term financing	-	Operating Capital	-	-	-	7,875,006	7,875,006
		Hon Chuan China	Receivable from related parties	Yes	2,355,291 (US\$ 85,090)	2,355,291 (US\$ 85,090)	2,355,291 (US\$ 85,090)	1.65% - 1.77%	Short-term financing	-	Operating Capital	-	-	-	7,875,006	7,875,006
		Shimada	Other receivable - related parties	Yes	12,915 (US\$ 467)	5,638 (US\$ 204)	5,638 (US\$ 204)	-	Business transaction	7,277 (US\$ 263)	-	-	-	-	7,277	7,875,006
		Hon Shi Mozambique	Other receivable - related parties	Yes	5,851 (US\$ 211)	1,295 (US\$ 47)	1,295 (US\$ 47)	-	Business transaction	5,851 (US\$ 211)	-	-	-	-	5,851	7,875,006
		Honlly Food & Beverage Co., Ltd. ("Honlly Food")	Receivable from related parties	Yes	1,384 (US\$ 50)	1,384 (US\$ 50)	1,384 (US\$ 50)	2.22% - 2.31%	Short-term financing	-	Operating Capital	-	-	-	7,875,006	7,875,006
		Hon Chuan Vietnam	Receivable from related parties	Yes	55,360 (US\$ 2,000)	55,360 (US\$ 2,000)	55,360 (US\$ 2,000)	1.57%	Short-term financing	-	Operating Capital	-	-	-	7,875,006	7,875,006
2	Hon Chuan China	Samoa Hon Hsing	Receivable from related parties	Yes	516,232 (US\$ 18,650)	-	-	1.70% - 1.76%	Short-term financing	-	Operating Capital	-	-	-	3,109,302	3,109,302
3	Kai Gang Industries Limited ("Kai Gang")	Hon Chuan China	Receivable from related parties	Yes	83,040 (US\$ 3,000)	83,040 (US\$ 3,000)	83,040 (US\$ 3,000)	1.65% - 1.77%	Short-term financing	-	Operating Capital	-	-	-	2,147,622	2,147,622
4	Hon Chuan Asia	Hon Chuan Vietnam	Receivable from related parties	Yes	21,924 (EUR 700)	-	-	1.25%	Short-term financing	-	Operating Capital	-	-	-	3,409,633	3,409,633
5	Suzhou Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	21,707 (RMB 5,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	385,770	385,770
		Chuzhou Hon Chuan	Receivable from related parties	Yes	45,586 (RMB 10,500)	45,586 (RMB 10,500)	45,586 (RMB 10,500)	2.80%	Short-term financing	-	Operating Capital	-	-	-	385,770	385,770
		Luohe Hon Chuan	Receivable from related parties	Yes	28,220 (RMB 6,500)	15,195 (RMB 3,500)	15,195 (RMB 3,500)	2.80%	Short-term financing	-	Operating Capital	-	-	-	385,770	385,770
		Qingxin Hon Chuan	Receivable from related parties	Yes	43,415 (RMB 10,000)	43,415 (RMB 10,000)	43,415 (RMB 10,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	385,770	385,770
6	Changsha Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	99,854 (RMB 23,000)	30,390 (RMB 7,000)	30,390 (RMB 7,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	359,962	359,962
		Xiantao Hon Chuan	Receivable from related parties	Yes	73,805 (RMB 17,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	359,962	359,962
		Luohe Hon Chuan	Receivable from related parties	Yes	47,756 (RMB 11,000)	21,707 (RMB 5,000)	21,707 (RMB 5,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	359,962	359,962
		Qingxin Hon Chuan	Receivable from related parties	Yes	86,830 (RMB 20,000)	86,830 (RMB 20,000)	86,830 (RMB 20,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	359,962	359,962

(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		
7	Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)	Chuzhou Hon Chuan	Receivable from related parties	Yes	\$ 138,927 (RMB 32,000)	\$ 138,927 (RMB 32,000)	\$ 138,927 (RMB 32,000)	2.80%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 588,907	\$ 588,907
		Xiantao Hon Chuan	Receivable from related parties	Yes	34,732 (RMB 8,000)	8,683 (RMB 2,000)	8,683 (RMB 2,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	588,907	588,907
		Luohe Hon Chuan	Receivable from related parties	Yes	123,732 (RMB 28,500)	104,196 (RMB 24,000)	104,196 (RMB 24,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	588,907	588,907
		Qingxin Hon Chuan	Receivable from related parties	Yes	54,269 (RMB 12,500)	54,269 (RMB 12,500)	54,269 (RMB 12,500)	2.80%	Short-term financing	-	Operating Capital	-	-	-	588,907	588,907
8	Taiyuan Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	147,610 (RMB 34,000)	134,586 (RMB 31,000)	134,586 (RMB 31,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	677,084	677,084
		Luohe Hon Chuan	Receivable from related parties	Yes	109,405 (RMB 25,200)	57,308 (RMB 13,200)	57,308 (RMB 13,200)	2.80%	Short-term financing	-	Operating Capital	-	-	-	677,084	677,084
9	Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”)	Xiantao Hon Chuan	Receivable from related parties	Yes	39,073 (RMB 9,000)	13,024 (RMB 3,000)	13,024 (RMB 3,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	335,089	335,089
		Chuzhou Hon Chuan	Receivable from related parties	Yes	54,269 (RMB 12,500)	54,269 (RMB 12,500)	54,269 (RMB 12,500)	2.80%	Short-term financing	-	Operating Capital	-	-	-	335,089	335,089
		Luohe Hon Chuan	Receivable from related parties	Yes	15,195 (RMB 3,500)	15,195 (RMB 3,500)	15,195 (RMB 3,500)	2.80%	Short-term financing	-	Operating Capital	-	-	-	335,089	335,089

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, 2021.

(Concluded)

TABLE 2

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(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	Samoa Hon Chuan	(Note 4)	\$ 6,527,630	\$ 1,909,920 (US\$ 69,000)	\$ 276,800 (US\$ 10,000)	\$ -	\$ -	2	\$ 13,055,260	Y	-	-
		Hon Chuan Asia	(Note 4)	6,527,630	608,960 (US\$ 22,000)	157,776 (US\$ 5,700)	-	-	1	13,055,260	Y	-	-
		Hon Chuan Indonesia	(Note 4)	6,527,630	662,659 (US\$ 23,940)	662,659 (US\$ 23,940)	120,269 (US\$ 4,345)	-	5	13,055,260	Y	-	-
		Bon Trust	(Note 4)	6,527,630	192,099 (US\$ 6,940)	192,099 (US\$ 6,940)	-	-	1	13,055,260	Y	-	-
		Xiantao Hon Chuan	(Note 4)	6,527,630	27,680 (US\$ 1,000)	27,680 (US\$ 1,000)	-	-	-	13,055,260	Y	-	Y
		Chuzhou Hon Chuan	(Note 4)	6,527,630	27,680 (US\$ 1,000)	27,680 (US\$ 1,000)	-	-	0.2	13,055,260	Y	-	Y
		Luohe Hon Chuan	(Note 4)	6,527,630	138,400 (US\$ 5,000)	-	-	-	-	13,055,260	Y	-	Y
		Hon Chuan China	(Note 4)	6,527,630	1,107,200 (US\$ 40,000)	1,107,200 (US\$ 40,000)	427,102 (US\$ 15,430)	-	8	13,055,260	Y	-	-
		Samoa Hon Hsing	(Note 4)	6,527,630	525,920 (US\$ 19,000)	249,120 (US\$ 9,000)	-	-	2	13,055,260	Y	-	-
		Qingxin Hon Chuan	(Note 4)	6,527,630	83,040 (US\$ 3,000)	-	-	-	-	13,055,260	Y	-	Y
		Hon Chuan Myanmar	(Note 4)	6,527,630	138,400 (US\$ 5,000)	83,040 (US\$ 3,000)	66,432 (US\$ 2,400)	-	1	13,055,260	Y	-	-
1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	753,784	25,041 (THB 30,000)	25,041 (THB 30,000)	1,669 (THB 2,000)	-	0.2	1,507,568	-	-	-

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, 2021.

TABLE 3**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2021****(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, 2021			
				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	\$ 16,249	2	\$ 16,249
	Lightel Technologies Inc.	-	Financial assets at fair value through other comprehensive income - non-current	551,051	8,645	2.8	8,645
Samoa Hon Chuan	<u>Corporate Bonds</u> Garden Fresh (HK) Fruit & Vegetable Co., Limited	-	Financial instruments at fair value through profit or loss - current	-	-	-	-
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	8,347 (THB 10,000)	0.08	8,347 (THB 10,000)

Note 1: The information about fair value please see Note 25.

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, 2021.

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, 2021
(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)
Hon Chuan China	Samoa Hon Hsing	Investments accounted for using equity method	-	Parent - subsidiary	108,006,000	\$ 4,171,874 (US\$ 150,718)	18,800,000	\$ 520,384 (US\$ 18,800)	126,806,000	\$ 4,971,882 (US\$ 179,620)

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, 2021.

TABLE 5

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transactio n Date	Amount			
The Corporation	Construction engineering of plant of free trade zone	2021.6.25	\$ 930,952	Contract payment	GUANHUA CONSTRUCTION CO., LTD.	-	-	-	-	\$ -	Based on mutual agreement, with reference to the market	Operating requirements	-

Note: Amount is based on the contract amount.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(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)	\$ 2,359,222 (US\$ 85,232)	-	\$ -	Depend on the operation	\$ -	\$ -
Hon Chuan Asia	Hon Chuan Vietnam	(Note 2)	188,224 (US\$ 6,800)	-	-	Depend on the operation	-	-
Jinan Hon Chuan	Luohe Hon Chuan	(Note 2)	104,196 (RMB 24,000)	-	-	Depend on the operation	-	-
Jinan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	138,928 (RMB 32,000)	-	-	Depend on the operation	-	-
Taiyuan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	134,586 (RMB 31,000)	-	-	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 7

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
The Corporation	Samoa Hon Chuan Bon Trust	Samoa Taichung	Overseas reinvested holding company	\$ 16,254,813	\$ 16,592,280	530,250,483	100	\$ 19,802,388	\$ 1,261,890	\$ 1,261,890	Subsidiary
			Overseas reinvested holding company and international trade	9,990	9,990	999,000	99.90	28,904	17,721	17,703	Subsidiary
	Hon Chuan Cambodia	Cambodia	Manufacture and sale of PET bottles	76,585	76,585	1,000	100	64,205	(362)	(362)	Subsidiary
	Hon Chuan Philippines	Philippines	Manufacture and sale of plastic caps and PET bottles	91,125	91,125	15,000,000	100	75,603	(833)	(833)	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	5,595,789	5,942,093	156,446,259	96.236	7,577,455	627,710	(Note 1)	Indirect subsidiary
				(US\$ 202,160)	(US\$ 214,671)			(US\$ 273,752)	(US\$ 22,411)		
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company	7,055,023	7,055,023	253,163,480	100	8,765,924	717,367	(Note 1)	Indirect subsidiary
				(US\$ 254,878)	(US\$ 254,878)			(US\$ 316,688)	(US\$ 25,612)		
	Hon Chuan Africa	Samoa	Overseas reinvested holding company	373,265	373,265	13,485,118	100	414,757	5,938	(Note 1)	Indirect subsidiary
Hon Chuan China	Paean Company	Seychelles	Overseas reinvested holding company	(US\$ 13,485)	(US\$ 13,485)			(US\$ 14,984)	(US\$ 212)		
				25,964	25,964	-	23.08	13,849	(5,518)	(Note 1)	Investments accounted for using equity method
				(US\$ 938)	(US\$ 938)			(US\$ 500)	(US\$ 197)		
Hon Chuan Asia	Kai Gang	Hong Kong	Overseas reinvested holding company	3,583,453	3,943,293	1,021,023,676	100	5,519,835	523,628	(Note 1)	Indirect subsidiary
				(US\$ 129,460)	(US\$ 142,460)			(US\$ 199,416)	(US\$ 18,695)		
Hon Chuan Thailand	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	3,509,990	2,989,606	126,806,000	100	4,971,882	168,978	(Note 1)	Indirect subsidiary
				(US\$ 126,806)	(US\$ 108,006)			(US\$ 179,620)	(US\$ 6,033)		
	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	1,148,665	1,148,665	137,000,000	100	1,529,458	232,643	(Note 1)	Indirect subsidiary
				(US\$ 41,498)	(US\$ 41,498)			(US\$ 55,255)	(US\$ 8,306)		
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps, labels, PET bottles and beverage filling OEM service	3,844,005	3,844,005	98,575,783	100	4,227,013	318,238	(Note 1)	Indirect subsidiary
				(US\$ 138,873)	(US\$ 138,873)			(US\$ 152,710)	(US\$ 11,362)		
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	885,760	885,760	-	100	1,183,846	115,229	(Note 1)	Indirect subsidiary
				(US\$ 32,000)	(US\$ 32,000)			(US\$ 42,769)	(US\$ 4,114)		
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	722,420	722,420	81,259,900	100	604,448	72,347	(Note 1)	Indirect subsidiary
				(US\$ 26,099)	(US\$ 26,099)			(US\$ 21,837)	(US\$ 2,583)		
Hon Chuan Myanmar	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE membrane	658,396	658,396	89,524,394	70	623,547	67,278	(Note 1)	Indirect subsidiary
				(US\$ 23,786)	(US\$ 23,786)			(US\$ 22,527)	(US\$ 2,402)		
	Samoa Honly	Samoa	Overseas reinvested holding company	400,391	400,391	69,854,780	100	116,311	(42,714)	(Note 1)	Indirect subsidiary
				(US\$ 14,465)	(US\$ 14,465)			(US\$ 4,202)	(US\$ 1,525)		
	Honly	Cambodia	Overseas reinvested holding company	49,935	49,935	1,002	49	51,429	3,053	(Note 1)	Indirect subsidiary
				(US\$ 1,804)	(US\$ 1,804)			(US\$ 1,858)	(US\$ 109)		
	Hon Hua (Samoa) Holding Limited	Samoa	Overseas reinvested holding company and international trade	224,208	224,208	8,100,000	60	223,378	26,917	(Note 1)	Indirect subsidiary
				(US\$ 8,100)	(US\$ 8,100)			(US\$ 8,070)	(US\$ 961)		
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of labels and PET bottles	105,724	105,724	12,666,225	65	139,948	12,494	(Note 1)	Indirect subsidiary
				(THB 126,662)	(THB 126,662)			(THB 167,665)	(THB 14,160)		
Samoa Honly	Honly Food	Cambodia	Beverage filling	497,327	497,327	17,966,248	100	115,979	(42,686)	(Note 1)	Indirect subsidiary
				(US\$ 17,967)	(US\$ 17,967)			(US\$ 4,190)	(US\$ 1,524)		
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company	361,058	361,058	3,138,790	60	398,896	7,758	(Note 1)	Indirect subsidiary
				(US\$ 13,044)	(US\$ 13,044)			(US\$ 14,411)	(US\$ 277)		
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sale of plastic caps PET bottles and LDPE membrane	25,161	25,161	-	100	136,241	14,621	(Note 1)	Indirect subsidiary
				(US\$ 909)	(US\$ 909)			(US\$ 4,922)	(US\$ 522)		
	Hon Shi Mozambique	Mozambique	Manufacture and sale of plastic caps	67,041	67,041	-	100	74,653	(6,834)	(Note 1)	Indirect subsidiary
				(US\$ 2,422)	(US\$ 2,422)			(US\$ 2,697)	(US\$ 244)		
Hon hua	Uni Tun	Myanmar	Bottled water filling	3,820	3,820	-	100	30,005	15,909	(Note 1)	Indirect subsidiary
				(US\$ 138)	(US\$ 138)			(US\$ 1,084)	(US\$ 568)		

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2021.

Note 3: Information on investments in mainland China, please see Table 8.

TABLE 8

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	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, 2021 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and PET film	\$ 567,163 (US\$ 20,490)	(Note 1)	\$ 533,117 (US\$ 19,260)	\$ -	\$ -	\$ 533,117 (US\$ 19,260)	\$ (5,966)	96.236%	\$ (5,742)	\$ 922,372	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	1,107,200 (US\$ 40,000)	(Note 1)	336,008 (US\$ 12,139)	-	336,008 (US\$ 12,139)	-	332,663	96.236%	320,143	2,223,298	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	830,400 (US\$ 30,000)	(Note 1)	177,207 (US\$ 6,402)	-	-	177,207 (US\$ 6,402)	21,791	96.236%	20,979	803,859	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,273,280 (US\$ 46,000)	(Note 1)	678,880 (US\$ 24,526)	-	-	678,880 (US\$ 24,526)	(70,219)	96.236%	(67,558)	637,983	-
Jinan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	553,600 (US\$ 20,000)	(Note 1)	205,441 (US\$ 7,422)	-	-	205,441 (US\$ 7,422)	145,311	96.236%	139,821	1,556,759	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	262,960 (US\$ 9,500)	(Note 1)	272,067 (US\$ 9,829)	-	-	272,067 (US\$ 9,829)	49,772	96.236%	47,923	914,753	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	913,440 (US\$ 33,000)	(Note 1)	316,438 (US\$ 11,432)	-	-	316,438 (US\$ 11,432)	46,775	96.236%	45,010	1,674,046	-
Chuzhou Hon Chuan	Manufacture and sale of plastic caps, preforms and caps	276,800 (US\$ 10,000)	(Note 1)	12,844 (US\$ 464)	-	-	12,844 (US\$ 464)	120,579	96.236%	116,041	437,904	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	415,200 (US\$ 15,000)	(Note 1)	21,480 (US\$ 776)	-	-	21,480 (US\$ 776)	37,504	96.236%	36,076	439,289	-
Luohe Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	332,160 (US\$ 12,000)	(Note 1)	-	-	-	-	15,825	96.236%	15,237	363,584	-
Anyang Hon Chuan	Manufacture and sale of plastic caps	34,732 (RMB 8,000)	(Note 1)	-	-	-	-	542	96.236%	521	44,978	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,264,307 (US\$ 81,803)	\$ 7,241,365 (US\$ 261,610)	(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, 2021.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF NOTES RECEIVABLE	2
STATEMENT OF TRADE RECEIVABLES	3
STATEMENT OF INVENTORIES	4
STATEMENT OF OTHER CURRENT ASSETS	Note 14
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT	5
STATEMENT OF CHANGES IN INVESTMENTS	6
ACCOUNTED FOR USING THE EQUITY METHOD	
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS	7
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS	7
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 21
STATEMENT OF OTHER NON-CURRENT ASSETS	Note 14
STATEMENT OF SHORT-TERM BANK LOANS	8
STATEMENT OF SHORT-TERM BILLS PAYABLE	9
STATEMENT OF TRADE PAYABLES	10
STATEMENT OF OTHER CURRENT LIABILITIES	Note 17
STATEMENT OF BONDS PAYABLE	11
STATEMENT OF LONG-TERM BANK LOANS	12
STATEMENT OF LEASE LIABILITIES	13
STATEMENT OF DEFERRED INCOME TAX LIABILITIES	Note 21
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF NET SALES REVENUE	14
STATEMENT OF COST OF GOODS SOLD	15
STATEMENT OF OPERATING EXPENSES	16
STATEMENT OF EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION BY FUNCTION	Note 20

STATEMENT 1**TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Amount
Cash on hand and petty cash	\$ <u>315</u>
Cash in banks	
Foreign currency deposits (Notes 1 and 2)	234,228
Demand deposits	47,532
Checking accounts	<u>198</u>
	<u>281,958</u>
Cash equivalent	
Investments with original maturities of 3 months or less	<u>629,720</u>
	<u>\$ 911,993</u>

Note 1: Including USD3,013 thousand, EUR206 thousand and JPY600,231 thousand.

Note 2: Foreign currency exchange rates: US\$1:NT\$27.68, EUR\$1:NT\$31.32 and JPY\$1:NT\$0.2405.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Non-related parties	
Client (1)	\$ 23,892
Client (2)	19,921
Client (3)	17,864
Client (4)	16,677
Client (5)	14,227
Client (6)	10,916
Client (7)	9,860
Others (Note)	<u>67,061</u>
	<u>\$ 180,418</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, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Non-related parties	
Client A	\$ 157,071
Client B	150,470
Client C	148,236
Client D	61,910
Others (Note)	<u>489,062</u>
	1,006,749
Less: Allowance for impairment loss	<u>(722)</u>
	<u>1,006,027</u>
Related parties	
Hon Chuan Indonesia	11,947
Hon Chuan Thailand	6,785
Hon Shi Mozambique	1,841
Others (Note)	<u>385</u>
	<u>20,958</u>
	<u>\$ 1,026,985</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, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Market Price (Note 1)
Finished goods	\$ 402,772	\$ 611,816
Work in process	8,586	8,586
Raw materials and supplies	611,432	649,879
Inventories in transit	<u>1,340</u>	<u>1,340</u>
	<u>\$ 1,024,130</u>	<u>\$ 1,271,621</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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Balance, January 1, 2021			Decrease		Balance, December 31, 2021			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.	2,200,000	\$ 19,252	2	-	\$ (3,003)	2,200,000	\$ 16,249	2	Note 1	Note 2	
Foreign unlisted shares											
Lightel Technologies Inc.	551,051	<u>8,645</u>	2.8	-	<u>-</u>	551,051	<u>8,645</u>	2.8	Note 1	Note 2	
		<u>\$ 27,897</u>			<u>\$ (3,003)</u>		<u>\$ 24,894</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, 2021
(In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2021		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, 2021			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	542,389,593	\$ 19,409,562	-	\$ -	(12,139,110)	\$ (337,467)	\$ 1,029	\$ 1,261,890	\$ (532,626)	530,250,483	100	\$ 19,802,388	\$ 19,802,388	\$ 16,254,813
Bon Trust	999,000	21,723	-	-	-	-	(10,522)	17,703	-	999,000	99.9	28,904	28,904	9,990
Hon Chuan Cambodia	1,000	66,429	-	-	-	-	-	(362)	(1,862)	1,000	100	64,205	64,205	76,585
Hon Chuan Philippines	15,000,000	<u>83,647</u>	-	<u>-</u>	-	<u>-</u>	<u>-</u>	<u>(833)</u>	<u>(7,211)</u>	15,000,000	100	<u>75,603</u>	<u>75,603</u>	<u>91,125</u>
		<u>\$ 19,581,361</u>		<u>\$ -</u>		<u>\$ (337,467)</u>	<u>\$ (9,493)</u>	<u>\$ 1,278,398</u>	<u>\$ (541,699)</u>			<u>\$ 19,971,100</u>	<u>\$ 19,971,100</u>	<u>\$ 16,432,513</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 remeasurements of the defined benefit liability; 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, 2021
(In Thousands of New Taiwan Dollars)**

	Balance at January 1, 2021	Additions	Balance at December 31, 2021
Cost			
Land	\$ 382,513	\$ <u> -</u>	\$ 382,513
Accumulated depreciation			
Land	<u>29,224</u>	\$ <u>16,357</u>	<u>45,581</u>
Net book value	<u>\$ 353,289</u>		<u>\$ 336,932</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF SHORT-TERM BANK LOANS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Type	Maturity Date (Note)	Interest Rate (%)	Amount
Unsecured bank loans			
HSBC Bank	2022.06.22	0.56-0.67	\$ 900,000
Standard Chartered Bank Ltd.	2022.02.25	0.55	600,000
Mizuho Bank Ltd.	2022.01.17	0.70	317,000
Citi Bank	2022.01.17	0.61	<u>250,000</u>
			<u>\$ 2,067,000</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, 2021

(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	2021.12.28-2022.01.21	0.58%	\$ 600,000	\$ -	\$ 600,000	-
SinoPac Bills	Bank SinoPac Co., Ltd.	2021.11.26-2022.01.21	0.56%-0.58%	<u>600,000</u>	<u>-</u>	<u>600,000</u>	-
				<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Non-related parties	
Company A	\$ 27,638
Others (Note)	<u>357,589</u>
	<u>385,227</u>
Related parties	
Hon Chuan Malaysia	667
Qingxin Hon Chuan	638
Suzhou Hon Chuan	457
Hon Chuan Vietnam	262
Hon Chuan Thailand	222
Others (Note)	<u>95</u>
	<u>2,341</u>
	<u>\$ 387,568</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, 2021

(In Thousands of New Taiwan Dollars)

Bond 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%	\$ 3,000,000	\$ -	\$ 3,000,000	\$ (1,488)	\$ 2,998,512	Principal to be paid at maturity from the date of issuance	-	-
Taiwan Hon Chuan Enterprise Co., LTD. first unsecured bonds in 2021	Taipei Fubon Commercial Bank Co., Ltd.	2021.11.26	Repayable on November 26; interest payable annually	0.75%	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>(5,199)</u>	<u>2,994,801</u>	Principal to be paid at maturity from the date of issuance	-	-
					<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ (6,687)</u>	<u>\$ 5,993,313</u>			

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF LONG-TERM BANK LOANS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type	Loan Term	Repayment Method	Interest Rates (%)	Current Portion of Long-term Bank Loans	Long-term Bank Loans	Total
Credit borrowings						
Hua Nan Commercial Bank, Ltd.	2019.10.31-2024.10.31	Repayment of loan on the maturity date as stated in the contract	0.35-0.55	\$ 540,785	\$ 983,728	\$ 1,524,513
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	146,264	1,213,101	1,359,365
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
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	260,396	650,991	911,387
Taipei Fubon Commercial Bank Co., Ltd.	2019.10.31-2024.10.31	Repayment of loan on the maturity date as stated in the contract	0.54	<u>8,299</u>	<u>15,112</u>	<u>23,411</u>
				955,744	3,862,932	4,818,676
Bill of credit borrowings						
Taiwan Finance Corporation	2021.06.22-2025.06.20	Repayment of loan on the maturity date as stated in the contract	0.708	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
				<u>\$ 955,744</u>	<u>\$ 4,862,932</u>	<u>\$ 5,818,676</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2021****(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%	\$ 342,242	-
Less: current portion				<u>(14,797)</u>	
Lease liabilities - non-current				<u>\$ 327,445</u>	

TAIWAN HON CHUAN ENTERPRISE CO., LTD.**STATEMENT OF NET SALES REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (In thousands of Units)	Amount
Beverage filling	652,570 box/case	\$ 3,580,124
PET bottles (including PET preforms)	1,078,899 piece	1,959,446
Plastic caps	2,371,565 each	849,319
Aluminum closures	760,549 each	596,029
Labels	713,678 piece	337,684
Packing material of alcohol and tobacco	1,523 roll/piece	294,287
Others		<u>466,077</u>
Total		8,082,966
Less: Sales return		(9,236)
Sales discount		<u>(59,796)</u>
		<u>\$ 8,013,934</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.
STATEMENT OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials and supplies, beginning of year	\$ 448,452
Raw material and supplies purchased	3,232,638
Sale of raw material and supplies	(18,025)
Others	(738,291)
Raw material and supplies, end of year	<u>(607,691)</u>
Raw material and supplies used	2,317,083
Direct labor	545,978
Manufacturing overhead	<u>2,707,767</u>
Manufacturing cost	5,570,828
Work in process, beginning of year	783
Work in process, end of year	<u>(8,586)</u>
Cost of finished goods	5,563,025
Finished goods, beginning of year	356,815
Finished goods purchased	459,252
Cost of goods sold of raw material and supplies	18,025
Cost of goods sold of inventory of supplies	7,413
Others	(8,590)
Finished goods, end of year	<u>(415,148)</u>
Cost of goods sold of finished goods	5,980,792
Income from sale of scrap	(39,423)
Provision for inventory valuation and obsolescence losses	9,442
Inventories scrapped	3,399
Inventories shortage	144
Income from tax refund	<u>(770)</u>
Cost of goods sold	<u>\$ 5,953,584</u>

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries and bonuses	\$ 99,742	\$ 163,817	\$ 52,749	\$ 316,308
Taxes	255,960	13,710	38	269,708
Miscellaneous expenses	78,227	25,187	18,755	122,169
Depreciation expenses	29,757	43,171	5,851	78,779
Export expenses	58,772	-	-	58,772
Others	<u>126,776</u>	<u>96,833</u>	<u>8,189</u>	<u>231,798</u>
	<u>\$ 649,234</u>	<u>\$ 342,718</u>	<u>\$ 85,582</u>	<u>\$ 1,077,534</u>