Taiwan Hon Chuan Enterprise Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

By:

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Hung-Chuan Dai
President

March 23, 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Revenue recognition

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

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

1. We understood the internal controls over revenue recognition, evaluated the design of and tested the operating effectiveness of the key controls. We also sampled and inspected the original purchase orders and delivery orders to verify the reasonableness of the accrual of the sales revenue.

2. We verified the entries to the revenue subsidiary ledger by selecting sample entries from the main products and checked the entries against the original orders, delivery orders, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and order.

Other Matter

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Hsiao-Feng Yen.

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

Notice to Readers

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

(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 consolidated financial statements of the Corporation and its subsidiaries (collectively referred to as "the Group") are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments 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.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

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

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

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

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss.

See Note 11, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

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

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

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

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

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

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

g. Inventories

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

h. Investments in associates

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

The Group uses the equity method to account for its investments in associates.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

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.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. 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.

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost , notes receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading 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 Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

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

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

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

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

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 Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the 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 Group 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 Group are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

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 26.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to 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.

n. Revenue recognition

The Group 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 Group 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 Group does not adjust the promised amount of consideration for the effects of a significant financing component.

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

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

o. Leases

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

<u>The Group as lessee</u>

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases 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 consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, 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 Group uses the lessee's incremental borrowing rate.

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

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.

p. Borrowing costs

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

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.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group 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 Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group 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 Group 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.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Taxation

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

1) Current tax

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

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

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

3) Current and deferred taxes

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

Where current taxes or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand and petty cash	$ 9,351	$ 10,536
Checking accounts and demand deposits	3,618,337	3,847,536
Cash equivalent		
Time deposits with original maturities of 3 months or less	419,436	80,213
	$ 4,047,124	$ 3,938,285

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

	December 31	
	2020	**2019**
Bank balance	0-5	0-13
Time deposits with original maturities of 3 months or less	0.30-3.40	2.03-4.30

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

	December 31	
Financial Assets at Fair Value through Profit or Loss - Current	**2020**	**2019**
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic convertible bonds	$ 46,321	$ 58,998
Domestic listed shares	-	12,652
Derivative financial assets		
Foreign exchange forward contracts	1,101	25
	$ 47,422	$ 71,675
Financial Liabilities at Fair Value through Profit or Loss - Current		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities		
Foreign exchange forward contracts	$ 3,563	$ 142

Outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount
December 31, 2020			
Buy	EUR/USD	2021.06.15	EUR1,691/USD2,060
	USD/NTD	2021.01.04-2021.02.25	USD2,849/TWD82,499
	EUR/RMB	2021.08.06	EUR1,000/RMB8,420
December 31, 2019			
Buy	EUR/NTD	2020.02.06-2020.06.15	ERU546/NTD18,605

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

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

	December 31	
	2020	**2019**
Domestic investments		
Unlisted shares	$ 19,252	$ 26,754
Foreign investments		
Listed shares	8,839	5,099
Unlisted shares	8,645	8,645
	17,484	13,744
	$ 36,736	$ 40,498

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

9. TRADE RECEIVABLES - NET

	December 31	
	2020	**2019**
Trade receivables from unrelated parties	$ 2,921,985	$ 3,237,618
Less: Allowance for impairment loss	(44,639)	(65,024)
	$ 2,877,346	$ 3,172,594

The average credit period of sales of goods is 30 to 90 days. No interest is charged on trade receivables. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group'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 Group 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 Group 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 Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is 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 Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group has no notes receivable 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%	
December 31, 2020						
Gross carrying amount	$ 2,402,833	$ 444,426	$ 25,828	$ 4,035	$ 44,863	$ 2,921,985
Loss allowance (Lifetime ECLs)	(4,951)	(3,235)	(915)	(403)	(35,135)	(44,639)
Amortized cost	$ 2,397,882	$ 441,191	$ 24,913	$ 3,632	$ 9,728	$ 2,877,346
December 31, 2019						
Gross carrying amount	$ 2,862,810	$ 276,653	$ 31,336	$ 13,822	$ 52,997	$ 3,237,618
Loss allowance (Lifetime ECLs)	(14,261)	(1,625)	(1,057)	(1,314)	(46,767)	(65,024)
Amortized cost	$ 2,848,549	$ 275,028	$ 30,279	$ 12,508	$ 6,230	$ 3,172,594

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 65,024	$ 69,934
Add: Impairment loss	6,552	831
Less: Amounts written off	(24,813)	(7,596)
Foreign exchange gains and losses	(2,124)	1,855
Balance at December 31	$ 44,639	$ 65,024

10. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 890,494	$ 965,885
Work in progress	49,094	53,846
Raw materials	1,327,053	1,433,913
Inventory in transit	30,365	30,985
	$ 2,297,006	$ 2,484,629

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was $15,242,548 thousand and $17,245,038 thousand, respectively.

The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of $8,473 thousand and $15,765 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Businesses	% of Ownership December 31 2020	% of Ownership December 31 2019
The Corporation	Hon Chuan Holding Limited (“Samoa Hon Chuan”)	Overseas reinvested holding company and international trade	100	100
	Bon Trust International Trade Co., Ltd. (“Bon Trust”)	Overseas reinvested holding company and international trade	99.9	99.9
	Hon Chuan (Cambodia) Co., Ltd. (“Hon Chuan Cambodia”)	Manufacture and sale of PET bottles	100	100
	Hon Chuan (Philippines) Co., Ltd. (“Hon Chuan Philippines”)	Manufacture and sale of plastic caps and PET bottles	100	-
Samoa Hon Chuan	Hon Chuan (China) Holdings Co., Ltd. (“Hon Chuan China”)	Overseas reinvested holding company	96.236	94.17
	HC (Asia) Holdings Co., Ltd. (“Hon Chuan Asia”)	Overseas reinvested holding company and international trade	100	100
	Hon Chuan (Africa) Holdings Co., Ltd. (“Hon Chuan Africa”)	Overseas reinvested holding company and international trade	100	100
Hon Chuan China	Kai Gang Industries Limited (“Kai Gang”)	Overseas reinvested holding company	100	100
	Hon Hsing (Samoa) Holding Limited (“Samoa Hon Hsing”)	Overseas reinvested holding company	100	100
Hon Chuan Asia	Hon Chuan (Thailand) Co., Ltd. (“Hon Chuan Thailand”)	Manufacture and sale of plastic caps and PET bottles	100	100
	PT Hon Chuan Indonesia (“Hon Chuan Indonesia”)	Manufacture and sale of plastic caps and PET bottles	100	100
	Hon Chuan (Myanmar) Co., Ltd. (“Hon Chuan Myanmar”)	Manufacture and sale of plastic caps and PET bottles	70	70
	Hon Chuan Vietnam Co., Ltd. (“Hon Chuan Vietnam”)	Manufacture and sale of plastic caps and PET bottles	100	100
	Hon Chuan Malaysia Sdn. Bhd. (“Hon Chuan Malaysia”)	Manufacture and sale of plastic caps and PET bottles	100	100
	Honly Holding Co., Ltd. (“Samoa Honly”)	Overseas reinvested holding company and international trade	100	95.94
	Honly International Co., Ltd. (“Honly”)	Overseas reinvested holding company and international trade	49	49
	Hon Hua (Samoa) Holdings Limited (“Honhua”)	Overseas reinvested holding company and international trade	60	60
Kai Gang	Hon Chuan Enterprise (Suzhou) Company Limited (“Suzhou Hon Chuan”)	Manufacture and sale of various plastic caps, labels and aluminum closures	100	100
	Hon Chuan Food Packing (Qingxin) Co., Ltd. (“Qingxin Hon Chuan”)	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”)	Manufacture and sale of PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Chuzhou) Co., Ltd. (“Chuzhou Hon Chuan”)	Manufacture and sale of various plastic caps and PET bottles	100	100
	Hon Chuan Food Packing (Xiantao) Co., Ltd. (“Xiantao Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Enterprise Packing (Luoch) Co., Ltd. (“Luoch Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2020	2019
Samoa Hon Hsing	Suzhou Hongxin Food Packing Co., Ltd. (“Suzhou Hongxin”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Taiyuan) Co., Ltd. (“Taiyuan Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Enterprise (Changsha) Co., Ltd. (“Changsha Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
Hon Chuan Thailand	Hon Chuan FD Packaging Co., Ltd. (“Hon Fu Thailand”)	Manufacture and sale of labels and PET bottles	65	65
Samoa Honly	Honly Food & Beverage Co., Ltd. (“Honly Food”)	Beverage packing service	100	100
Suzhou Hongxin	Hon Chuan Food Packing (Anyang) Co., Ltd. (“Anyang Hon Chuan”)	Sale of PE/PET packaging, food packaging	100	100
Hon Chuan Africa	Hon Shi (Samoa) Holdings Limited (“Hon Shi Samoa”)	Overseas reinvested holding company and international trade	60	60
Hon Shi Samoa	Shimada International Limitada (“Shimada”)	Manufacture and sales of plastic caps PET bottles and LDPE membrane	100	100
	Hon Shi Mozambique, Limitada (“Hon Shi Mozambique”)	Manufacture and sales of plastic caps	100	100
Hon Hua	Uni Tun Co., Ltd. (Uni Tun)	Water filling	100	100

(Concluded)

The Corporation has the practical ability to direct the relevant activities of Honly; therefore, the Corporation has control over Honly.

The subsidiaries reported in the consolidated financial statements were based on the financial statements audited by auditors for the same year.

12. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2020	2019
Associates		
Unlisted company		
Paean International Co., Ltd (“Paean Company”)	$ 15,543	$ 16,393

At the end of the reporting period, the proportions of ownership and voting rights in associates held by the Group were as follows:

	December 31	
	2020	2019
Name of Associates		
Paean Company	23.08%	23.08%

Aggregate information of associates

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Loss from continuing operations	$ (32)	$ (3,361)

Refer to Table 7 for the nature of activities, principal place of business and countries of incorporation of the associates.

The Group's share of loss of the associate accounted for using the equity method was recognized based on the associate's audited financial statements

13. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Disposals	Reclassified Amount	Effects of foreign currency exchange differences	Ending Balance
For the Year Ended December 31, 2020						
Cost						
Freehold land	$ 779,341	$ -	$ (207)	$ -	$ (15,833)	$ 763,301
Buildings	6,648,758	77,067	-	190,483	(43,384)	6,872,924
Equipment	20,533,181	238,119	(512,809)	1,250,857	(171,551)	21,337,797
Other equipment	7,459,685	351,513	(228,900)	542,877	(60,082)	8,065,093
Property under construction	300,353	370,873	-	(11,380)	(23,208)	636,638
	35,721,318	$ 1,037,572	$ (741,916)	$ 1,972,837	$ (314,058)	37,675,753
Accumulated depreciation						
Buildings	2,031,056	$ 255,487	$ -	$ -	$ (2,710)	2,283,833
Equipment	12,698,035	1,368,987	(447,922)	-	(71,131)	13,547,969
Other equipment	4,845,754	566,961	(200,270)	-	(23,280)	5,189,165
	19,574,845	$ 2,191,435	$ (648,192)	$ -	$ (97,121)	21,020,967
	$16,146,473					$16,654,786

	Beginning Balance	Additions	Disposals	Reclassified Amount	Effects of foreign currency exchange differences	Ending Balance
For the Year Ended December 31, 2019						
Cost						
Freehold land	$ 772,557	$ -	$ -	$ -	$ 6,784	$ 779,341
Buildings	5,986,895	12,184	-	711,575	(61,896)	6,648,758
Equipment	20,070,951	162,270	(294,213)	924,955	(330,782)	20,533,181
Other equipment	7,182,442	148,641	(95,237)	277,850	(54,011)	7,459,685
Property under construction	728,617	318,643	-	(746,655)	(252)	300,353
	34,741,462	$ 641,738	$ (389,450)	$ 1,167,725	$ (440,157)	35,721,318
Accumulated depreciation						
Buildings	1,808,781	$ 253,272	$ -	$ -	$ (30,997)	2,031,056
Equipment	11,752,003	1,381,066	(225,823)	-	(209,211)	12,698,035
Other equipment	4,387,035	582,824	(79,269)	-	(44,836)	4,845,754
	17,947,819	$ 2,217,162	$ (305,092)	$ -	$ (285,044)	19,574,845
	$16,793,643					$16,146,473

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

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

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 28.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	$ 1,071,469	$ 959,773
Buildings	128,015	154,832
Other equipment	501	1,298
	$ 1,199,985	$ 1,115,903

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 167,481	$ 67,365
Depreciation charge for right-of-use assets		
Land	$ 28,415	$ 24,246
Buildings	31,278	33,870
Other equipment	801	703
	$ 60,494	$ 58,819

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 45,875	$ 52,571
Non-current	$ 464,855	$ 391,845

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.18%	1.18%
Buildings	3.83%	3.83%
Other equipment	3.83%	3.83%

c. Material leasing activities and terms

The Group 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 Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 139,304	$ 115,038
Total cash outflow for leases	$ (195,597)	$ (181,513)

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

15. OTHER ASSETS

	December 31	
	2020	2019
Office supplies	$ 597,402	$ 548,155
Prepaid expenses and prepayment for purchases	260,938	261,252
Refundable deposits	64,244	51,423
Other receivables	31,592	54,537
Tax refund receivable	26,937	30,011
Restricted assets (Note 28)	1,594	5,009
Others	267,752	391,287
	$ 1,250,459	$ 1,341,674
Current	$ 1,179,947	$ 1,284,105
Non-current	70,512	57,569
	$ 1,250,459	$ 1,341,674

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

	For the Year Ended December 31, 2020
Balance at January 1	$ -
Add: Impairment loss	13,820
Balance at December 31	$ 13,820

Restricted assets pledged as collateral for bank borrowings were set out in Note 28.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Line of credit borrowings	$ 1,570,076	$ 3,484,521
Loans for purchasing raw materials	24,376	68,480
	$ 1,594,452	$ 3,553,001
Rate of interest per annum (%)		
Line of credit borrowings	0.72-1.23	0.79-3.20
Loans for purchasing raw materials	1.06	0.95-1.33

b. Short-term bills payable

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

c. Long-term borrowings

	December 31	
	2020	2019
Line of credit borrowings - March 2021 to July 2026	$ 7,288,381	$ 6,966,965
Less: Current portion	(46,980)	(1,000,000)
Discounts on government grants (Note 24)	(54,362)	(35,778)
Long-term borrowings	$ 7,187,039	$ 5,931,187
Rate of interest per annum (%)		
Line of credit borrowings	0.10-1.52	0.10-2.96

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

1) Current ratio (current assets/ current liabilities) - at least 80% of consolidated financial statements.

2) Debit ratio (total liabilities/ net tangible assets) - maximum of 200% of consolidated financial statements.

3) Interest coverage ratio - at least 500% of consolidated financial statements.

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

17. BONDS PAYABLE

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

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).

18. OTHER LIABILITIES

	December 31	
	2020	2019
Payables for salaries	$ 286,711	$ 241,404
Payables for purchases of equipment	218,115	138,255
Advance receipts	56,693	144,434
Payables for bonus to employees	33,125	28,951
Payables for annual leave	25,305	23,531
Payables for remuneration of directors	14,586	12,429
Others	505,986	572,050
	$ 1,140,521	$ 1,161,054

19. 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.

The employees of the Group's subsidiaries in China, Indonesia, Vietnam, Thailand, Malaysia, Myanmar, Cambodia and Africa are members of state-managed retirement benefit plans operated by their respective governments. Each subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

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

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	$ 137,732	$ (109,144)	$ 28,588
Service cost			
Current service cost	668	-	668
Net interest expense (income)	1,550	(1,288)	262
Recognized in profit or loss	2,218	(1,288)	930
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,965)	(3,965)
Actuarial loss - changes in demographic assumptions	182	-	182
Actuarial loss - changes in financial assumptions	912	-	912
Actuarial loss - experience adjustments	5908	-	5,908
Recognized in other comprehensive income	7,002	(3,965)	3,037
Contributions from the employer	-	(11,415)	(11,415)
Benefits paid	(7,354)	7,354	-
Balance at December 31, 2019	139,598	(118,458)	21,140
Service cost			
Current service cost	617	-	617
Net interest expense (income)	1,117	(988)	129
Recognized in profit or loss	1,734	(988)	746
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	3,879	-	3,879
Recognized in other comprehensive income	9,105	(3,715)	5,390
Contributions from the employer	-	(13,280)	(13,280)
Benefits paid	(11,957)	11,957	-
Balance at December 31, 2020	$ 138,480	$ (124,484)	$ 13,996

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

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

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

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

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

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

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

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

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

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

20. EQUITY

a. Share capital

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

b. Capital surplus

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

1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and the difference between 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 21-d.

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

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

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

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

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

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

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

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

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

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

d. Special reserves

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

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

e. Treasury shares

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

In order to maintain the Group'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.

21. NET PROFIT FROM CONTINUING OPERATIONS

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

a. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Gain (loss) on disposal of property, plant and equipment	$ (14,555)	$ 31,686
Loss on valuation of financial assets and liabilities at FVTPL	(4,542)	(11,406)
Loss recognized on associates accounted for using the equity method	(32)	(3,361)
Miscellaneous expense	(25,168)	(246,635)
Miscellaneous income	127,575	175,003
	$ 83,278	$ (54,713)

b. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	$ 114,252	$ 216,949
Interest on convertible bonds	33,196	33,184
Interest on lease liabilities	9,016	10,215
Other finance costs	11,303	1,354
	$ 167,767	$ 261,702

c. Employee benefits expense, depreciation and amortization expenses

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	$ 1,334,919	$ 565,604	$ 1,900,523	$ 1,294,738	$ 532,149	$ 1,826,887
Labor and health insurance expense	69,015	24,890	93,905	54,881	20,941	75,822
Pension expense	29,076	13,309	42,385	22,505	54,932	77,437
Other employee benefits expense	39,364	50,306	89,670	26,474	49,674	76,148
Remuneration of directors	-	14,586	14,586	-	12,429	12,429
Depreciation expenses	2,013,013	238,916	2,251,929	2,048,324	227,657	2,275,981
Amortization expenses	28,763	7,650	36,413	12,946	6,448	19,394

d. Compensation of employees and remuneration of directors

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

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

If there is a change in the amounts after the annual consolidated 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 consolidated financial statements for the year ended December 31, 2019 and 2018.

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

22. TAXES

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 462,208	$ 481,539
Adjustments for prior year	(15,428)	23,152
Deferred tax		
In respect of the current year	(24,734)	27,556
Adjustments to deferred tax attributable to changes in tax rates and laws	2,527	-
Income tax expense recognized in profit or loss	$ 424,573	$ 532,247

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

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	$ 638,573	$ 626,466
Nondeductible expenses in determining taxable income	2,326	43,198
Deductible items in determining taxable income	(1,592)	(373)
Tax-exempt income	(44,345)	(869)
Unrecognized loss carryforwards	26,951	21,398
Unrecognized deductible temporary differences	(184,439)	(180,725)
Effect of tax rate changes	2,527	-
Adjustments for prior years' tax	(15,428)	23,152
Income tax expense recognized in profit or loss	$ 424,573	$ 532,247

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

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

b. Income tax recognized in other comprehensive income

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

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred Tax Assets				
Temporary differences				
Tax losses	$ 156,991	$ 23,029	$ -	$ 180,020
Defined benefit obligation	7,626	(2,118)	1,078	6,586
Allowance for impairment loss of write-down of inventories	6,664	1,402	-	8,066
Others	13,264	8,172	-	21,436
	$ 184,545	$ 30,485	$ 1,078	$ 216,108
Deferred tax liabilities				
Temporary differences				
Reserve for land value increment tax	$ 24,283	$ -	$ -	$ 24,283
Others	44,783	8,278	-	53,061
	$ 69,066	$ 8,278	$ -	$ 77,344

	For the Year Ended December 31, 2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred Tax Assets				
Temporary differences				
Tax losses	$ 172,882	$ (15,891)	$ -	$ 156,991
Defined benefit obligation	5,718	1,301	607	7,626
Allowance for impairment loss of write-down of inventories	10,768	(4,104)	-	6,664
Others	8,688	4,576	-	13,264
	$ 198,056	$ (14,118)	$ 607	$ 184,545

	For the Year Ended December 31, 2019			
	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax liabilities				
Temporary differences				
Reserve for land value increment tax	$ 24,283	$ -	$ -	$ 24,283
Others	31,345	13,438	-	44,783
	$ 55,628	$ 13,438	$ -	$ 69,066

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

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

e. Information about unused loss carryforwards and tax-exemptions

Investee	Unused Amount	Expiry Year
Suzhou Honxin	$ 552,818	2021-2024
Suzhou Hon Chuan	71,745	2021-2024
Zhangzhou Hon Chuan	80,787	2023-2024
	$ 705,350	

As of December 31, 2020 under the local regulations of Suzhou Hon Chuan, Suzhou Honxin and Zhangzhou Hon Chuan, their loss carryforwards may offset against future taxable income.

f. Income tax assessments

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

23. EARNINGS PER SHARE

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

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.

24. GOVERNMENT GRANTS

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

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

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

Jinan Hon Chuan, Qingxin Hon Chuan, and Chuzhou Hon Chuan acquired land use rights, invested in equipment, and constructed electronic projects, respectively, and received a government grant of RMB 6,028 thousand in total. The amount was recognized as deferred revenue and was subsequently transferred to profit or loss over the useful lives of the related assets.

25. CAPITAL MANAGEMENT

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

The capital structure of the Group 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 Group 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 Group 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.

26. 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
December 31, 2020				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	$ 16,640	$ -	$ -	$ 16,640
Foreign corporate bonds	29,681	-	-	29,681
Foreign exchange forward contracts	-	1,101	-	1,101
	$ 46,321	$ 1,101	$ -	$ 47,422
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	$ -	$ 3,563	$ -	$ 3,563
Financial assets at fair value through other comprehensive income				
Equity investments				
Foreign listed shares	$ 8,839	$ -	$ -	$ 8,839
Unlisted shares	-	-	27,897	27,897
	$ 8,839	$ -	$ 27,897	$ 36,736

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	$ 29,775	$ -	$ -	$ 29,775
Shares of publicly quoted entity	12,652	-	-	12,652
Foreign corporate bonds	29,223	-	-	29,223
Foreign exchange forward contracts	-	25	-	25
	$ 71,650	$ 25	$ -	$ 71,675
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	$ -	$ 142	$ -	$ 142
Financial assets at fair value through other comprehensive income				
Equity investments				
Foreign listed shares	$ 5,099	$ -	$ -	$ 5,099
Unlisted shares	-	-	35,399	35,399
	$ 5,099	$ -	$ 35,399	$ 40,498

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

2) Valuation techniques and assumptions applied for fair value measurement

a) The fair value of financial instruments with standard terms and conditions that are traded in an active market, including listed shares and emerging market shares, is determined based on the market price.

b) The fair values of foreign exchange forward contracts are determined using the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c) The unlisted equity investments at fair value through other comprehensive income are all measured at Level 3. The fair values of unlisted equity investments are determined using price-to-book ratio approach. In this approach, according to the financial information of the companies, both net book value per share calculated and share price estimated by comparing share price or P/E ratio with similar companies were used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

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

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

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

b. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Mandatorily classified as at FVTPL	$ 47,422	$ 71,675
Financial assets at amortized cost		
Cash and cash equivalents	4,047,124	3,938,285
Notes receivable and trade receivables	3,036,502	3,318,476
Financial assets at fair value through other comprehensive income - equity investments	36,736	40,498
Other receivables	31,592	54,537
Refundable deposits	64,244	51,423
Financial liabilities		
Mandatorily classified as at FVTPL	3,563	142
Amortized cost		
Short-term borrowings	1,594,452	3,553,001
Short-term bills payable	3,100,000	1,375,000
Notes payable and trade payables	826,850	1,016,967
Bonds payable	2,997,404	2,996,308
Long-term borrowings (including current portion)	7,234,019	6,931,187
Other payables	724,101	710,305
Guarantee deposits received	32,163	24,940

c. Financial risk management objectives and policies

The Group’s major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings and liability component of preference shares. The Group’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 Group's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Group'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 Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Group'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 Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk

The Group and several subsidiaries of the Corporation have foreign currency denominated sales and purchases, which expose the Group 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 Group'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 30.

Sensitivity analysis

The Group is mainly exposed to the USD.

The Group'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 Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% strengthening in the levels of the NTD against the USD, the pre-tax profit for the years ended December 31, 2020 and 2019 would have changed by decreasing $2,430 thousand and increasing $4,278 thousand, respectively. Assuming a 1% strengthening in the levels of the NTD against the EUR, the pre-tax profit for the years ended December 31, 2020 and 2019 would have changed by increasing $2,380 thousand and $726 thousand, respectively.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial liabilities	$ 6,608,134	$ 4,815,724
Cash flow interest rate risk		
Financial liabilities	8,828,471	10,484,188

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 Group's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease by $11,036 thousand and $13,105 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 Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, is arising from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and

- The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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

Trade receivables consist of a large number of customers, which spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Group's concentrations of credit risk regarding top 5 customers were both 28% in total trade receivables as of December 31, 2020 and 2019. No other concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Corporation had available unutilized short-term bank loan facilities of $15,511,080 thousand and $14,628,646 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5+ Years
December 31, 2020			
Non-derivative financial liabilities			
Borrowings	$ 1,641,432	$ 6,880,062	$ 361,339
Short-term bills payable	3,100,000	-	-
Non-interest bearing liabilities	826,850	-	-
Bonds payable	-	2,997,404	-
Lease liabilities	54,509	204,223	329,838
	$ 5,622,791	$ 10,081,689	$ 691,177
Derivative financial liabilities			
Foreign exchange forward contracts	$ 3,563	$ -	$ -
December 31, 2019			
Non-derivative financial liabilities			
Borrowings	$ 4,553,001	$ 5,729,238	$ 237,727
Short-term bills payable	1,375,000	-	-
Non-interest bearing liabilities	1,016,967	-	-
Bonds payable	-	2,996,308	-
Lease liabilities	61,185	178,408	268,242
	$ 7,006,153	$ 8,903,954	$ 505,969
Derivative financial liabilities			
Foreign exchange forward contracts	$ 142	$ -	$ -

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
December 31, 2020						
Lease liabilities	$ 54,509	$ 204,223	$ 75,297	$ 57,864	$ 56,384	$ 140,293
December 31, 2019						
Lease liabilities	$ 61,185	$ 178,408	$ 87,730	$ 46,912	$ 41,805	$ 91,795

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
Food and Drink Public Company Limited	Others
Chiu Vorng Vorng Mary Company Co., Ltd.	Others
Ann Huang	Others

b. Sales of goods

	For the Year Ended December 31	
	2020	2019
Net sales		
Others	$ 5,507	$ 10,253
Rental expenses (recorded under manufacturing or operation expenses)		
Others	$ 3,668	$ 3,770

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

The Corporation has leased warehouse from related parties. The rent is based on the rates of neighboring properties and paid monthly.

	December 31	
	2020	2019
Trade receivables		
Others	$ 1,507	$ 3,074
Other receivables (recognized as other current assets)		
Others	$ 5	$ -
Other payables (recognized as other current liabilities)		
Others	$ 318	$ -

c. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 64,332	$ 79,309
Post-employment benefits	235	239
	$ 64,567	$ 79,548

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2020	2019
Property, plant and equipment	$ 237,291	$ 136,630
Restricted assets (recognized as other current assets)	1,594	5,009
	$ 238,885	$ 141,639

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $318,812 thousand and $242,099 thousand, respectively.

b. Unrecognized commitments were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	$ 464,981	$ 933,510

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2020			2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial assets of monetary items						
USD	$ 19,977	28.48	$ 568,945	$ 16,346	29.98	$ 490,053
EUR	1,132	35.02	39,643	1,869	33.59	62,780
Financial liabilities of monetary items						
USD	11,443	28.48	325,897	30,616	29.98	917,868
EUR	7,927	35.02	277,604	4,031	33.59	135,401

The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1.0000	$ (7,695)	1.0000	$ 4,440
USD	29.549	4,939	30.912	322
RMB	4.2755	6,492	4.4875	(7,226)
MZN	0.4255	(8,677)	0.4943	(1,161)
IDR	0.0020	(9,901)	0.0022	110
MMK	0.0215	14,573	0.0203	3,090
THB	0.9496	3,904	1.0008	(1,797)
MYR	6.7345	(1,170)	7.1760	2,303
VND	0.0012	(594)	0.0012	1,196
PHP	0.5887	(3,456)	-	-
		$ (1,585)		$ 1,277

31. OTHER ITEMS

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

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

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)

4) Marketable securities acquired or disposed of costs or prices at least NT$300 million or 20% of the paid-in capital. (Table 4)

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

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

7) Total purchases from or sales to related parties amounting to at least NT $100 million or 20% of the paid-in capital. (None)

8) Receivables from related parties amounting to at least NT $100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 6)

11) 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).

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Domestic - Manufacture and sale in Taiwan.
- Foreign - Manufacture and sale in countries other than Taiwan.

a. Segment revenue and results

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

	Domestic	Foreign Subsidiaries	Adjustment and Elimination	Total
For the Year ended December 31, 2020				
Revenue from external customers	$ 8,175,370	$ 11,172,879	$ -	$ 19,348,249
Inter-segment revenue	63,280	111,866	(175,146)	-
Segment revenue	$ 8,238,650	$ 11,284,745	$ (175,146)	$ 19,348,249
Segment income	$ 1,008,289	$ 1,181,557		$ 2,189,846
Financial costs				(167,767)
Foreign exchange loss				(1,585)
Other gains and losses				134,819
Profit before tax				$ 2,155,313

	Domestic	Foreign Subsidiaries	Adjustment and Elimination	Total
For the Year ended December 31, 2019				
Revenue from external customers	$ 8,574,895	$ 12,952,453	$ -	$ 21,527,348
Inter-segment revenue	77,982	145,545	(223,527)	-
Segment revenue	$ 8,652,877	$ 13,097,998	$ (223,527)	$ 21,527,348
Segment income	$ 1,004,681	$ 1,251,267		$ 2,255,948
Financial costs				(261,702)
Foreign exchange loss				1,277
Other gains and losses				3,326
Profit before tax				$ 1,998,849

Inter-segment revenue was accounted for based on market prices.

Segment profit represented the profit before tax earned by each segment without interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, valuation gains or losses on financial instruments, loss recognized on associates under equity method, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2020	2019
Packaging materials	$ 12,582,665	$ 13,607,228
Beverages (included bottle filling and OEM)	5,920,641	6,641,507
Others	844,943	1,278,613
	$ 19,348,249	$ 21,527,348

d. Geographical information

The Corporation operates in three principal geographical areas - Taiwan, China and Southeast Asia.

The Corporation's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	$ 8,175,371	$ 8,574,895	$ 6,584,058	$ 6,031,570
China	5,956,008	6,661,662	6,646,760	6,831,791
Southeast Asia	5,036,641	6,033,220	7,239,813	6,937,396
Others	180,229	257,571	345,491	384,678
	$ 19,348,249	$ 21,527,348	$ 20,816,122	$ 20,185,435

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

No single customer contributed 10% or more to the Group’s revenue for both 2020 and 2019.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

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

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

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

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

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

Note 5: Significant intercompany accounts and transactions have been eliminated.

(Concluded)

TABLE 2

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

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

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

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

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

TABLE 4

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

Note 3: Significant intercompany accounts and transactions have been eliminated.

TABLE 5

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Ending Balance (Note 2 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 2)	$ 2,240,066 (US$ 78,654)	-	$ -	Depend on the operation	$ -	$ -
Hon Chuan China	Samoa Hon Hsing	(Note 2)	532,263 (US$ 18,689)	-	-	Depend on the operation	264,864 (US$ 9,300)	-
Jinan Hon Chuan	Luoch Hon Chuan	(Note 2)	105,764 (RMB 24,231)	-	-	Depend on the operation	-	-
Taiyuan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	108,627 (RMB 24,887)	-	-	Depend on the operation	6,547 (RMB 1,500)	-
Taiyuan Hon Chuan	Luoch Hon Chuan	(Note 2)	109,993 (RMB 25,200)	-	-	Depend on the operation	-	-

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

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

Note 3: Significant intercompany accounts and transactions have been eliminated.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details (Note 3)			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
1	Samoa Hon Chuan	Hon Chuan China	3	Receivable from related parties	$ 2,233,402	Depend on working capital sufficiency	7
2	Hon Chuan China	Samoa Hon Hsing	3	Receivable from related parties	531,152	Depend on working capital sufficiency	2

Note 1: Relationship of counterparty; (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: The transaction with each subsidiary account for more than or equal to 0.5% of total sales or assets of the consolidated financial statements.

Note 3: Significant intercompany accounts and transactions have been eliminated.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

Note 1: Not applicable.

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

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

Note 4: Significant intercompany accounts and transactions have been eliminated except for Paean Company..

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Notes 2 and 5)	Carrying Amount as of December 31, 2020 (Notes 2 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2020
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and PET film	$ 583,555 (US$ 20,490)	(Note 1)	$ 548,525 (US$ 19,260)	$ -	$ -	$ 548,525 (US$ 19,260)	$ (25,058)	96.236%	$ (23,935)	$ 933,106	$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	1,509,440 (US$ 53,000)	(Note 1)	345,719 (US$ 12,139)	-	-	345,719 (US$ 12,139)	205,366	96.236%	196,619	2,266,423	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	854,400 (US$ 30,000)	(Note 1)	182,329 (US$ 6,402)	-	-	182,329 (US$ 6,402)	857	96.236%	621	787,021	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,310,080 (US$ 46,000)	(Note 1)	698,500 (US$ 24,526)	-	-	698,500 (US$ 24,526)	(58,123)	96.236%	(55,434)	709,374	-
Jinan Hon Chuan	Manufacture and sale of plastic caps and PET bottles and beverage filling OEM service	569,600 (US$ 20,000)	(Note 1)	211,379 (US$ 7,422)	-	-	211,379 (US$ 7,422)	118,935	96.236%	113,734	1,424,477	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	270,560 (US$ 9,500)	(Note 1)	279,930 (US$ 9,829)	-	-	279,930 (US$ 9,829)	65,481	96.236%	62,644	870,698	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	939,840 (US$ 33,000)	(Note 1)	325,583 (US$ 11,432)	-	-	325,583 (US$ 11,432)	77,596	96.236%	73,902	1,637,766	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	284,800 (US$ 10,000)	(Note 1)	13,215 (US$ 464)	-	-	13,215 (US$ 464)	55,079	96.236%	52,627	323,552	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps and PET bottles and beverage filling OEM service	427,200 (US$ 15,000)	(Note 1)	22,100 (US$ 776)	-	-	22,100 (US$ 776)	20,477	96.236%	20,064	405,365	-
Luoch Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	341,760 (US$ 12,000)	(Note 1)	-	-	-	-	21,305	96.236%	20,477	350,220	-
Anyang Hon Chuan	Manufacture and sale of plastic caps	34,919 (RMB 8,000)	(Note 1)	-	-	-	-	4,344	96.236%	4,173	44,702	-

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

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

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

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

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

Note 5: Significant intercompany accounts and transactions have been eliminated.