

**Taiwan Hon Chuan Enterprise Co., Ltd.
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 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, 2019 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:

Hung-Chuan Dai
President

March 23, 2020

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, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, 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, 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. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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, 2019. 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, 2019 are stated 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 main products are significant to 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 and tested the design and operating effectiveness of the key controls over revenue recognition and we sampled and inspected the original purchase orders and delivery orders to verify the reasonableness of the accrual of the sales revenue.
2. We verified the entries to the revenue subsidiary ledger by selecting sample entries from the main products and we checked the entries against the original order, delivery order, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and order.

Evaluation of impairment of inventory

The Group's inventory is measured at the lower of cost or net realizable value. The determination of net realizable value involved the use of significant judgments and estimates by the management. Thus, the evaluation of impairment of inventory is identified as a key audit matter. Refer to Notes 4, 5 and 10 to the consolidated financial statements for the information on inventory.

The key audit procedures that we performed in respect of the impairment of inventory included the following:

1. We understood and tested the design and operating effectiveness of the key controls over inventory valuation.
2. We selected samples of inventory and checked that the value is the lower of cost or net realizable value. We evaluated the reasonableness of expected sales price and variable expenses ratio. We recalculated and examined the accuracy of the calculation of the net realizable value.
3. We observed year-end inventory taking. We selected samples and examined the items for any defects or damages and confirmed the reasonableness of the recognized loss based on market price decline.

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, 2019; we did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia SDN. BHD and PT Hon Chuan Indonesia, which are investees of the Group and are included in the consolidated financial statements as of and for the year ended December 31, 2018, but such statements were audited by other auditors, whose reports have been furnished to us. 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 NTD4,563,570 thousand and NTD4,715,348 thousand, respectively, representing 14.48% and 16.03%, respectively, of the Group's consolidated assets as of December 31, 2019 and 2018. The total sales of the aforementioned investees were NTD3,023,012 thousand and NTD2,238,171 thousand, respectively, representing 14.04% and 11.23%, respectively, of the Group's consolidated net sales for the years ended December 31, 2019 and 2018.

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, 2019 and 2018 on which we have issued an unmodified report with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 23, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,938,285	13	\$ 2,979,711	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	71,675	-	98,782	-
Notes receivable from unrelated parties (Note 4)	142,808	-	148,293	1
Trade receivables from unrelated parties (Notes 4 and 9)	3,172,594	10	3,116,198	11
Trade receivables from related parties (Notes 4 and 27)	3,074	-	530	-
Inventories (Notes 4, 5 and 10)	2,484,629	8	2,516,054	9
Other current assets (Notes 15, 27 and 28)	<u>1,284,105</u>	<u>4</u>	<u>1,582,345</u>	<u>5</u>
Total current assets	<u>11,097,170</u>	<u>35</u>	<u>10,441,913</u>	<u>36</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	40,498	-	41,617	-
Long-term investments accounted for using the equity method (Notes 4 and 12)	16,393	-	20,135	-
Property, plant and equipment (Notes 4, 13, 28 and 29)	16,146,473	51	16,793,643	57
Right-of-use assets (Note 4)	1,115,903	4	-	-
Intangible assets (Note 4)	370,046	1	370,713	1
Deferred tax assets (Notes 4 and 22)	184,545	1	198,056	1
Prepayments for equipment	2,495,444	8	877,133	3
Other non-current assets (Note 15)	<u>57,569</u>	<u>-</u>	<u>672,724</u>	<u>2</u>
Total non-current assets	<u>20,426,871</u>	<u>65</u>	<u>18,974,021</u>	<u>64</u>
TOTAL	<u>\$ 31,524,041</u>	<u>100</u>	<u>\$ 29,415,934</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 3,553,001	11	\$ 5,037,154	17
Short-term bills payable (Note 16)	1,375,000	4	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	142	-	62	-
Notes payable to unrelated parties	4,842	-	3,037	-
Trade payables to unrelated parties	1,012,125	3	1,063,603	4
Current tax liabilities (Notes 4 and 22)	161,723	1	159,058	1
Lease liabilities - current (Notes 4 and 14)	52,571	-	-	-
Deferred revenue - current (Notes 4 and 24)	5,490	-	-	-
Current portion of long-term liabilities (Notes 4, 16 and 24)	1,000,000	3	-	-
Other current liabilities (Notes 18 and 27)	<u>1,161,054</u>	<u>4</u>	<u>966,852</u>	<u>3</u>
Total current liabilities	<u>8,325,948</u>	<u>26</u>	<u>7,229,766</u>	<u>25</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	2,996,308	10	2,995,224	10
Long-term borrowings (Notes 4, 16, 24 and 28)	5,931,187	19	5,978,897	21
Deferred tax liabilities (Notes 4 and 22)	69,066	-	55,628	-
Lease liabilities - non-current (Notes 4 and 14)	391,845	1	-	-
Deferred revenue - non-current (Notes 4 and 24)	35,470	-	7,793	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	21,140	-	28,588	-
Other non-current liabilities (Note 18)	<u>24,940</u>	<u>-</u>	<u>40,873</u>	<u>-</u>
Total non-current liabilities	<u>9,469,956</u>	<u>30</u>	<u>9,107,003</u>	<u>31</u>
Total liabilities	<u>17,795,904</u>	<u>56</u>	<u>16,336,769</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Ordinary shares	2,928,789	9	2,928,789	10
Capital surplus	5,485,872	17	5,485,872	19
Retained earnings				
Legal reserve	1,531,899	5	1,422,646	5
Special reserve	1,745,301	6	1,368,204	4
Unappropriated earnings	3,204,905	10	2,986,533	10
Other equity	<u>(1,955,038)</u>	<u>(6)</u>	<u>(1,745,301)</u>	<u>(6)</u>
Total equity attributable to owners of the parent	12,941,728	41	12,446,743	42
NON-CONTROLLING INTERESTS	<u>786,409</u>	<u>3</u>	<u>632,422</u>	<u>2</u>
Total equity	<u>13,728,137</u>	<u>44</u>	<u>13,079,165</u>	<u>44</u>
TOTAL	<u>\$ 31,524,041</u>	<u>100</u>	<u>\$ 29,415,934</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 21,527,348	100	\$ 19,929,717	100
COST OF GOODS SOLD (Notes 4, 10, 21 and 27)	<u>17,245,038</u>	<u>80</u>	<u>16,406,836</u>	<u>82</u>
GROSS PROFIT	<u>4,282,310</u>	<u>20</u>	<u>3,522,881</u>	<u>18</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	967,551	5	925,697	5
General and administrative expenses	972,754	5	952,804	5
Research and development expenses	<u>86,057</u>	<u>-</u>	<u>67,970</u>	<u>-</u>
Total operating expenses	<u>2,026,362</u>	<u>10</u>	<u>1,946,471</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,255,948</u>	<u>10</u>	<u>1,576,410</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 21)	(261,702)	(1)	(248,581)	(2)
Other gains and losses (Notes 4, 21 and 31)	3,326	-	185,081	1
Net foreign exchange gain (loss) (Note 4)	<u>1,277</u>	<u>-</u>	<u>(30,957)</u>	<u>-</u>
Total non-operating income and expenses	<u>(257,099)</u>	<u>(1)</u>	<u>(94,457)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,998,849	9	1,481,953	7
INCOME TAX EXPENSE (Notes 4 and 22)	<u>532,247</u>	<u>2</u>	<u>379,749</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,466,602</u>	<u>7</u>	<u>1,102,204</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(3,037)	-	(2,391)	-
Unrealized (gain) loss on investments in equity instruments at fair value through other comprehensive income	2,842	-	(3,213)	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 22)	607	-	1,063	-

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (223,483)	(1)	\$ (403,476)	(2)
Other comprehensive loss for the year, net of income tax	(223,071)	(1)	(408,017)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,243,531</u>	<u>6</u>	<u>\$ 694,187</u>	<u>3</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,381,036	7	\$ 1,092,531	6
Non-controlling interests	85,566	-	9,673	-
	<u>\$ 1,466,602</u>	<u>7</u>	<u>\$ 1,102,204</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,168,606	6	\$ 722,687	3
Non-controlling interests	74,925	-	(28,500)	-
	<u>\$ 1,243,531</u>	<u>6</u>	<u>\$ 694,187</u>	<u>3</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 4.72</u>		<u>\$ 3.73</u>	
Diluted	<u>\$ 4.71</u>		<u>\$ 3.72</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent					Other Equity (Note 4)			Total	Non-controlling Interests	Total Equity
	Share Capital (Note 20)	Capital Surplus (Notes 4 and 20)	Retained Earnings (Notes 4, 19 and 20)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2018	\$ 2,928,789	\$ 5,507,513	\$ 1,299,560	\$ 1,220,606	\$ 2,892,567	\$ (1,365,021)	\$ (3,183)	\$ -	\$ 12,480,831	\$ 681,932	\$ 13,162,763
Effect of retrospective application and retrospective restatement	-	-	-	-	5,644	-	3,183	(11,764)	(2,937)	-	(2,937)
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,928,789	5,507,513	1,299,560	1,220,606	2,898,211	(1,365,021)	-	(11,764)	12,477,894	681,932	13,159,826
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	51,154	51,154
Appropriation of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	123,086	-	(123,086)	-	-	-	-	-	-
Special reserve	-	-	-	147,598	(147,598)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(732,197)	-	-	-	(732,197)	-	(732,197)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(12,761)	(12,761)
Net profit for the year ended December 31, 2018	-	-	-	-	1,092,531	-	-	-	1,092,531	9,673	1,102,204
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,328)	(365,303)	-	(3,213)	(369,844)	(38,173)	(408,017)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,091,203	(365,303)	-	(3,213)	722,687	(28,500)	694,187
Differences between consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	(21,641)	-	-	-	-	-	-	(21,641)	(59,403)	(81,044)
BALANCE AT DECEMBER 31, 2018	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
Differences between consideration received or paid and the carrying amount of the subsidiaries' net assets during 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

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,998,849	\$ 1,481,953
Adjustments for:		
Depreciation and amortization expenses	2,295,375	2,208,094
Expected credit loss recognized on trade receivables	831	23,666
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	2,926	(6,547)
Finance costs	261,702	248,581
Interest income	(58,039)	(31,709)
Share of loss of associates accounted for using the equity method	3,361	3,349
Loss (gain) on disposal of property, plant and equipment	(31,686)	4,733
Impairment loss recognized (reversed) on non-financial assets	15,765	16,218
Unrealized net loss (gain) on foreign currency exchange	(202)	44,814
Reversal of deferred revenue	(3,777)	(3,232)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	23,549	280,954
Notes receivable	5,698	41,189
Trade receivables	(52,295)	(527,493)
Inventories	13,769	(179,418)
Other current assets	289,117	(415,603)
Notes payable	1,786	(790)
Trade payables	(55,891)	130,700
Other current liabilities	168,077	88,955
Net defined benefit liabilities	(10,485)	(9,444)
Cash generated from operations	4,868,430	3,398,970
Interest received	58,073	31,675
Interest paid	(263,521)	(222,579)
Income tax paid	(505,890)	(276,573)
Net cash generated from operating activities	<u>4,157,092</u>	<u>2,931,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	129	-
Return of capital from financial assets at fair value through other comprehensive income	4,000	-
Payments for property, plant and equipment	(624,958)	(735,002)
Proceeds from disposal of property, plant and equipment	116,044	75,056
Increase (decrease) in refundable deposits	2,488	(11,264)
Payments for intangible assets	(13,133)	(4,612)
Payments for right-of-use assets	(67,365)	-
Increase in other assets	(13,081)	(19,737)

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
Increase in prepayments for equipment	\$ (2,777,733)	\$ (1,128,701)
Increase in other prepayments	<u>-</u>	<u>(128,042)</u>
Net cash used in investing activities	<u>(3,373,609)</u>	<u>(1,952,302)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(1,470,959)	(263,293)
Proceeds from short-term bills payable	1,375,000	-
Proceeds from corporate bonds	-	2,994,500
Proceeds from long-term borrowings	2,789,567	1,162,517
Repayments of long-term borrowings	(1,749,023)	(3,260,851)
Repayment of the principal portion of lease liabilities	(56,260)	-
Dividends paid to owners of the Corporation	(673,621)	(732,197)
Dividends paid to non-controlling interests	(34,091)	(12,761)
Changes in non-controlling interests	<u>113,153</u>	<u>(29,890)</u>
Net cash generated from (used in) financing activities	<u>293,766</u>	<u>(141,975)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(118,675)</u>	<u>(69,404)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	958,574	767,812
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,979,711</u>	<u>2,211,899</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,938,285</u>	<u>\$ 2,979,711</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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) under 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, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 23, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not be reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.2%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 363,105
Less: Recognition exemption for short-term leases	<u>(81,117)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 281,988</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 272,086
Add: Adjustments as a result of a different treatment of extension	<u>213,692</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 485,778</u>

Anticipated impact on assets, liabilities and equity

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases	\$ 617,178	\$ (617,178)	\$ -
Right-of-use assets	<u>-</u>	<u>1,102,956</u>	<u>1,102,956</u>
Total effect on assets	<u>\$ 617,178</u>	<u>\$ 485,778</u>	<u>\$ 1,102,956</u>
Lease liabilities - current	\$ -	\$ 43,455	\$ 43,455
Lease liabilities - non-current	<u>-</u>	<u>442,323</u>	<u>442,323</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 485,778</u>	<u>\$ 485,778</u>

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
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, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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 used by the Corporation.

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's its foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with 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 a group entity 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 purposes 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 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 tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 a group entity 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 a financial asset is designated as at FVTPL.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. 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 and note receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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 a group entity 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 a group entity are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

Fair value is determined in the manner described in Note 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 is recognized when the goods are delivered to the customer's designated destination, once the goods are shipped, or once the goods at delivery. In either case, the group has transferred to the customer the significant risks and rewards of ownership of the goods.

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

o. Leases

2019

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

The Group as lessee

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

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expenses on a straight-line basis over the lease term; contingent rents arising are recognized as an expense in the period 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 the which is 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 attaching to them and that the grants will be received.

Government grants 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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

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

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2019	2018
Cash on hand and petty cash	\$ 10,536	\$ 10,710
Checking accounts and demand deposits	3,847,536	2,830,783
Cash equivalent (investments with original maturities of less than 3 months)		
Time deposits	<u>80,213</u>	<u>138,218</u>
	<u>\$ 3,938,285</u>	<u>\$ 2,979,711</u>

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

	<u>December 31</u>	
	2019	2018
Bank balance	0%-13%	0%-13%
Time deposit	2.03%-4.30%	2.20%

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

Financial Assets at Fair Value through Profit or Loss - Current	December 31	
	2019	2018
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic convertible bonds	\$ 58,998	\$ 85,507
Domestic listed shares	12,652	13,275
Derivative financial assets		
Foreign exchange forward contracts	<u>25</u>	<u>-</u>
	<u>\$ 71,675</u>	<u>\$ 98,782</u>

Financial Liabilities at Fair Value through Profit or Loss - Current

Financial liabilities mandatorily classified as at FVTPL

Derivative financial liabilities		
Foreign exchange forward contracts	<u>\$ 142</u>	<u>\$ 62</u>

Outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2019</u>			
Buy	EUR/NTD	2020.02.06-2020.06.15	ERU546/NTD18,605
<u>December 31, 2018</u>			
Buy	USD/NTD	2019.01.16-2019.04.16	USD4,291/NTD131,112

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using

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

	December 31	
	2019	2018
<u>Domestic investments</u>		
Unlisted shares	<u>\$ 26,754</u>	<u>\$ 30,131</u>
<u>Foreign investments</u>		
Listed shares and emerging market shares	5,099	2,841
Unlisted shares	<u>8,645</u>	<u>8,645</u>
	<u>13,744</u>	<u>11,486</u>
	<u>\$ 40,498</u>	<u>\$ 41,617</u>

These investments in equity instruments are not held for trading. Instead, they 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	
	2019	2018
Trade receivables from unrelated parties	\$ 3,237,618	\$ 3,186,132
Less: Allowance for impairment loss	<u>(65,024)</u>	<u>(69,934)</u>
	<u>\$ 3,172,594</u>	<u>\$ 3,116,198</u>

The average credit period of sales of goods was 30 to 90 days. No interest was 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 Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the 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 information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 1 Year	Total
Expected credit loss rate	0.001%	0.5%-2%	3%-5%	10%	50%-100%	
<u>December 31, 2019</u>						
Gross carrying amount	\$ 2,862,810	\$ 276,653	\$ 31,336	\$ 13,822	\$ 52,997	\$ 3,237,618
Loss allowance (Lifetime ECL)	<u>(14,261)</u>	<u>(1,625)</u>	<u>(1,057)</u>	<u>(1,314)</u>	<u>(46,767)</u>	<u>(65,024)</u>
Amortized cost	<u>\$ 2,848,549</u>	<u>\$ 275,028</u>	<u>\$ 30,279</u>	<u>\$ 12,508</u>	<u>\$ 6,230</u>	<u>\$ 3,172,594</u>

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 1 Year	Total
<u>December 31, 2018</u>						
Gross carrying amount	\$ 2,682,281	\$ 404,310	\$ 24,787	\$ 22,668	\$ 52,086	\$ 3,186,132
Loss allowance (Lifetime ECL)	<u>(9,234)</u>	<u>(3,705)</u>	<u>(1,272)</u>	<u>(6,756)</u>	<u>(48,967)</u>	<u>(69,934)</u>
Amortized cost	<u>\$ 2,673,047</u>	<u>\$ 400,605</u>	<u>\$ 23,515</u>	<u>\$ 15,912</u>	<u>\$ 3,119</u>	<u>\$ 3,116,198</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 69,934	\$ 44,702
Add: Impairment loss	831	23,666
Less: Amounts written off	(7,596)	-
Foreign exchange gains and losses	<u>1,855</u>	<u>1,566</u>
Balance at December 31	<u>\$ 65,024</u>	<u>\$ 69,934</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Finished goods	\$ 965,885	\$ 939,028
Work in progress	53,846	57,099
Raw materials and supplies	1,433,913	1,485,866
Inventories in transit	<u>30,985</u>	<u>34,061</u>
	<u>\$ 2,484,629</u>	<u>\$ 2,516,054</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$17,245,038 thousand and \$16,406,836 thousand, respectively.

The cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of \$15,765 thousand and \$16,218 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Businesses	<u>% of Ownership</u>	
			<u>2019</u>	<u>2018</u>
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	-
	Hon Chuan (Cambodia) Co., Ltd. ("Hon Chuan Cambodia")	Manufacture and sale of PET bottles	100	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership	
			2019	2018
Samoa Hon Chuan	Hon Chuan (China) Holdings Co., Ltd. (“Hon Chuan China”)	Overseas reinvested holding company	94.17	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	95.94	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
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 PET bottles and beverage filling OEM service	100	100
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
	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

(Continued)

Investor	Investee	Main Businesses	% of Ownership	
			December 31 2019	December 31 2018
Hon Chuan Thailand	Hon Chuan FD Packaging Co., Ltd. ("Hon Fu Thailand")	Manufacture and sale of plastic caps, labels and PET bottles	65	65
Samoa Honly	Honly Food & Beverage Co., Ltd. ("Cambodia Honly")	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 Mozambique Limitada ("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 Co., Ltd. ("Hon Shi Mozambique")	Manufacture and sales of plastic caps	100	100
Hon Hua	Uni Tun Co., Ltd. (Uni Tun)	Water filling	100	100

(Concluded)

Quanhe Investment has been liquidated in January, 2018.

Hon Chuan Asia purchased 35.94% capital of Samoa Honly from other shareholder in July 2018 to hold 95.94% equity of Samoa Honly.

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	
	2019	2018
<u>Associates</u>		
Unlisted company		
Paean International Co., Ltd ("Paean Company")	\$ 16,393	\$ 20,135

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

Name of Associates	December 31	
	2019	2018
Paean Company	23.08%	23.08%

Aggregate information of associates

For the Year Ended December 31
2019 **2018**

The Group's share of:

Loss from continuing operations \$ (3,361) \$ (3,349)

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

The financial statements of the associate accounted for by the equity method used as basis for the above amounts were for the same periods but were not audited.

13. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Disposals	Reclassified Amount	Effects of foreign currency exchange differences	Ending Balance
<u>For the Year Ended</u>						
<u>December 31, 2019</u>						
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 in Construction	<u>728,617</u>	<u>318,643</u>	<u>-</u>	<u>(746,655)</u>	<u>(252)</u>	<u>300,353</u>
	<u>34,741,462</u>	<u>\$ 641,738</u>	<u>\$ (389,450)</u>	<u>\$ 1,167,725</u>	<u>\$ (440,157)</u>	<u>35,721,318</u>
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	<u>4,387,035</u>	<u>582,824</u>	<u>(79,269)</u>	<u>-</u>	<u>(44,836)</u>	<u>4,845,754</u>
	<u>17,947,819</u>	<u>\$ 2,217,162</u>	<u>\$ (305,092)</u>	<u>\$ -</u>	<u>\$ (285,044)</u>	<u>19,574,845</u>
		<u>\$16,793,643</u>				<u>\$16,146,473</u>
<u>For the Year Ended</u>						
<u>December 31, 2018</u>						
Cost						
Freehold Land	\$ 995,575	\$ -	\$ -	\$ (223,313)	\$ 295	\$ 772,557
Buildings	5,720,863	5,315	(13,411)	327,196	(53,068)	5,986,895
Equipment	19,539,981	173,682	(287,404)	834,555	(189,863)	20,070,951
Other Equipment	6,676,106	184,507	(77,063)	458,755	(59,863)	7,182,442
Property in Construction	<u>749,396</u>	<u>403,649</u>	<u>-</u>	<u>(422,684)</u>	<u>(1,744)</u>	<u>728,617</u>
	<u>33,681,921</u>	<u>\$ 767,153</u>	<u>\$ (377,878)</u>	<u>\$ 974,509</u>	<u>\$ (304,243)</u>	<u>34,741,462</u>
Accumulated depreciation						
Buildings	1,599,318	\$ 227,414	\$ (4,926)	\$ -	\$ (13,025)	1,808,781
Equipment	10,688,519	1,361,607	(221,971)	-	(76,152)	11,752,003
Other Equipment	<u>3,892,532</u>	<u>587,782</u>	<u>(71,192)</u>	<u>-</u>	<u>(22,087)</u>	<u>4,387,035</u>
	<u>16,180,369</u>	<u>\$ 2,176,803</u>	<u>\$ (298,089)</u>	<u>\$ -</u>	<u>\$ (111,264)</u>	<u>17,947,819</u>
		<u>\$17,501,552</u>				<u>\$16,793,643</u>

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

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

Refer to Note 28 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 959,773
Buildings	154,832
Other equipment	<u>1,298</u>
	<u>\$ 1,115,903</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 67,365</u>
Depreciation charge for right-of-use assets	
Land	\$ 24,246
Buildings	33,870
Other equipment	<u>703</u>
	<u>\$ 58,819</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 52,571</u>
Non-current	<u>\$ 391,845</u>

Range of discount rate for lease liabilities was as follows:

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

c. Material lease-in activities and terms

The Group leases land for the use of plants, office spaces and warehouses with a lease terms of 10 years at the Export Processing Zone Administration, MOEA in the ROC. 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

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 115,038</u>
Total cash outflow for leases	<u>\$ (181,513)</u>

The Group leases certain office equipment and transportation equipment which 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.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	\$ 54,809
Later than 1 year and not later than 5 years	199,766
Later than 5 years	<u>108,530</u>
	<u>\$ 363,105</u>

15. OTHER ASSETS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Office supplies	\$ 548,155	\$ 536,497
Prepaid expenses and prepayment for purchases	261,252	556,001
Other receivables	54,537	76,981
Refundable deposits	51,423	53,879
Tax refund receivable	30,011	47,944
Restricted assets (Note 28)	5,009	9,090
Prepayments for lease	-	622,373
Others	<u>391,287</u>	<u>352,304</u>
	<u>\$ 1,341,674</u>	<u>\$ 2,255,069</u>
Current	\$ 1,284,105	\$ 1,582,345
Non-current	<u>57,569</u>	<u>672,724</u>
	<u>\$ 1,341,674</u>	<u>\$ 2,255,069</u>

As of December 31, 2019 and 2018, prepaid lease payments mainly include legitimate land use rights of subsidiaries in mainland China, Hon Chuan Indonesia, Hon Chuan Vietnam, Hon Chuan Myanmar and Uni Tun. which are located in China, Indonesia, Vietnam and Myanmar.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Unsecured borrowings</u>		
Bank loans for working capital	\$ 3,484,521	\$ 5,037,154
Loans for purchasing raw materials	<u>68,480</u>	<u>-</u>
	<u>\$ 3,553,001</u>	<u>\$ 5,037,154</u>
<u>Rate of interest per annum (%)</u>		
Bank loans for working capital	0.79-3.20	0.69-4.40
Loans for purchasing raw materials	0.95-1.33	-

b. Short-term bills payable

	<u>December 31</u>	
	2019	2018
Commercial paper	<u>\$ 1,375,000</u>	<u>\$ _____</u> -
<u>Rate of interest per annum (%)</u>		
Commercial paper	0.74-0.82	-

c. Long-term borrowings

	<u>December 31</u>	
	2019	2018
Bank loans for working capital - September 2020 to July 2026	\$ 6,966,965	\$ 5,978,897
Less: Current portions	(1,000,000)	-
Discounts on government grants (Note 24)	<u>(35,778)</u>	<u> </u> -
	<u>\$ 5,931,187</u>	<u>\$ 5,978,897</u>
<u>Rate of interest per annum (%)</u>		
Bank loans for working capital	0.10-2.96	1.01-4.00

The Corporation provided endorsement and guarantee to Samoa Hon Chuan, which facilitate a secured loan agreement with a syndicate of banks led by Land Bank of Taiwan Co., Ltd. The purpose of the loan is for repayment of short-term bank loans, procuring fund for future investment and increasing operating fund. Under the agreement, the Corporation should maintain certain financial ratios, as listed below, based on the numbers in the Corporation's annual financial statements.

- 1) Current ratio - at least 80% of consolidated financial statements.
- 2) Debit ratio - maximum of 200% of consolidated financial statements.
- 3) Interest coverage ratio - at least 500% of consolidated financial statements.

If the Corporation could not maintain certain financial ratios, it must improve financial ratios and provide documents certified by the Corporation's auditor within five months of next year starting April 1. If the Corporation improved these financial ratios within the grace period, there will be no violation of the agreement. However, the Corporation should pay interest at annual rate plus 0.2% from April 1 next year to the date it actually completed the improvement, Until December 31, 2019, the loan facilities have not yet been drawn down.

17. BONDS PAYABLE

	<u>December 31</u>	
	2019	2018
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Bonds discount	<u>(3,692)</u>	<u>(4,776)</u>
	<u>\$ 2,996,308</u>	<u>\$ 2,995,224</u>

As of April 27, 2018 the Corporation issued 3,000,000 thousand of five-year unsecured domestic bonds whose coupon rate is 1.07% and effective interest rate is 1.1079%. The principal will be repayable by cash upon maturity (April 27, 2023).

18. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Payable for salaries	\$ 241,404	\$ 232,431
Advance receipts	144,434	78,188
Payable for purchase of equipment	138,255	110,661
Payable for bonus to employees	28,951	23,695
Payable for annual leave	23,531	22,059
Payable for remuneration of directors	12,429	9,833
Others	<u>596,990</u>	<u>530,858</u>
	<u>\$ 1,185,994</u>	<u>\$ 1,007,725</u>
Current	\$ 1,161,054	\$ 966,852
Non-current	<u>24,940</u>	<u>40,873</u>
	<u>\$ 1,185,994</u>	<u>\$ 1,007,725</u>

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, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

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

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law 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 Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 139,598	\$ 137,732
Fair value of plan assets	<u>(118,458)</u>	<u>(109,144)</u>
Net defined benefit liability	<u>\$ 21,140</u>	<u>\$ 28,588</u>

Movements in net defined benefit liability (asset) 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, 2018	\$ 155,211	\$ (119,570)	\$ 35,641
Service cost			
Current service cost	948	-	948
Net interest expense (income)	<u>1,940</u>	<u>(1,555)</u>	<u>385</u>
Recognized in profit or loss	<u>2,888</u>	<u>(1,555)</u>	<u>1,333</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,224)	(3,224)
Actuarial loss - changes in demographic assumptions	259	-	259
Actuarial loss - changes in financial assumptions	1,296	-	1,296
Actuarial loss - experience adjustments	<u>4,060</u>	<u>-</u>	<u>4,060</u>
Recognized in other comprehensive income	<u>5,615</u>	<u>(3,224)</u>	<u>2,391</u>
Contributions from the employer	-	(10,777)	(10,777)
Benefits paid	<u>(25,982)</u>	<u>25,982</u>	<u>-</u>
Balance at December 31, 2018	<u>137,732</u>	<u>(109,144)</u>	<u>28,588</u>
Service cost			
Current service cost	668	-	668
Net interest expense (income)	<u>1,550</u>	<u>(1,288)</u>	<u>262</u>
Recognized in profit or loss	<u>2,218</u>	<u>(1,288)</u>	<u>930</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,965)	(3,965)
Actuarial loss - changes in demographic assumptions	182	-	182
Actuarial loss - changes in financial assumptions	912	-	912
Actuarial loss - experience adjustments	<u>5,908</u>	<u>-</u>	<u>5,908</u>
Recognized in other comprehensive income	<u>7,002</u>	<u>(3,965)</u>	<u>3,037</u>
Contributions from the employer	-	(11,415)	(11,415)
Benefits paid	<u>(7,354)</u>	<u>7,354</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 139,598</u>	<u>\$ (118,458)</u>	<u>\$ 21,140</u>

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

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

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

	December 31	
	2019	2018
Discount rate	0.800%	1.125%
Expected rate of salary increase	1.125%	1.375%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	\$ (2,559)	\$ (2,644)
0.25% decrease	\$ 2,639	\$ 2,729
Expected rate(s) of salary increase		
0.25% increase	\$ 2,536	\$ 2,623
0.25% decrease	\$ (2,472)	\$ (2,554)

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 would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plans for the next year	\$ 9,938	\$ 10,777
Average duration of the defined benefit obligation	9 years	10 years

20. EQUITY

a. Share capital

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>292,879</u>	<u>292,879</u>
Shares issued	<u>\$ 2,928,789</u>	<u>\$ 2,928,789</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Arising from issuance of common shares (1)	\$ 4,927,127	\$ 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)	358,475	358,475
Other (2)	<u>200,270</u>	<u>200,270</u>
	<u>\$ 5,485,872</u>	<u>\$ 5,485,872</u>

1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and donations 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 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 a 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 employees' compensation and remuneration of directors after the amendment, please refer to d. Employee benefits expense, depreciation and amortization expenses in Note 21-4.

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 2018 and 2017 approved in the shareholders' meetings on June 2019 and 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	\$ 109,253	\$ 123,086		
Special reserve	377,097	147,598		
Cash dividends	673,621	732,197	\$2.3	\$2.5

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 23, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 138,104	
Special reserve	209,737	
Cash dividends	878,637	\$ 3

The appropriation of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 19, 2020.

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, thereafter, distributed.

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Interest income	\$ 58,039	\$ 31,709
Gain (loss) on disposal of property, plant and equipment	31,686	(4,733)
Gain (loss) on valuation of financial assets	(11,406)	33,986
Loss recognized on associates under equity method	(3,361)	(3,349)
Miscellaneous expense	(246,635)	(30,637)
Miscellaneous income	<u>175,003</u>	<u>158,105</u>
	<u>\$ 3,326</u>	<u>\$ 185,081</u>

b. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank	\$ 216,949	\$ 226,100
Interest on convertible bonds	33,184	22,481
Interest on lease liabilities	10,215	-
Other finance costs	<u>1,354</u>	<u>-</u>
	<u>\$ 261,702</u>	<u>\$ 248,581</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest	\$ -	\$ 8,116
Capitalization rate	-	0.96%

c. Employee benefits expense, depreciation and amortization expenses

	For the Year Ended December 31					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	\$ 1,294,738	\$ 544,578	\$ 1,839,316	\$ 1,220,295	\$ 488,118	\$ 1,708,413
Labor and health insurance expense	54,881	20,941	75,822	49,150	19,859	69,009
Pension expense	22,505	54,932	77,437	21,012	60,849	81,861
Other employee benefits expense	26,474	49,674	76,148	35,672	50,295	85,967
Depreciation expenses	2,048,324	227,657	2,275,981	2,008,081	168,722	2,176,803
Amortization expenses	12,946	6,448	19,394	17,490	13,801	31,291

d. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Corporation's board of directors on March 23, 2020 and March 26, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	%	Cash	%	Cash
Employees' compensation	1.78%	\$ 28,951	1.77%	\$ 23,695
Remuneration of directors	0.76%	12,429	0.74%	9,833

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 was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2020 and 2019 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	
	2019	2018
Current tax		
In respect of the current year	\$ 481,538	\$ 350,414
Income tax expense of unappropriated earnings	-	22,195
Adjustment for prior periods	23,152	10,397
Deferred tax		
In respect of the current year	27,557	(2,153)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(1,104)
Income tax expense recognized in profit or loss	<u>\$ 532,247</u>	<u>\$ 379,749</u>

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

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	\$ 626,466	\$ 352,689
Nondeductible expenses in determining taxable income	43,198	2,554
Deductible items in determining taxable income	(373)	(618)
Tax-exempt income	(869)	(598)
Unrecognized loss carryforwards	21,398	25,478
Unrecognized deductible temporary differences	(180,725)	(31,244)
Additional income tax on unappropriated earnings	-	22,195
Effect of tax rate changes	-	(1,104)
Adjustments for prior year's tax	<u>23,152</u>	<u>10,397</u>
Income tax expense recognized in profit or loss	<u>\$ 532,247</u>	<u>\$ 379,749</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other Group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of current period		
- Remeasurement of defined benefit plans	\$ 607	\$ 478
Effect of change in tax rate	<u>-</u>	<u>585</u>
Total income tax recognized in other comprehensive income	<u>\$ 607</u>	<u>\$ 1,063</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Tax losses	\$ 172,882	\$ (15,891)	\$ -	\$ 156,991
Defined benefit obligation	5,718	1,301	607	7,626
Inventories	10,768	(4,104)	-	6,664
Other	<u>8,688</u>	<u>4,575</u>	<u>-</u>	<u>13,263</u>
	<u>\$ 198,056</u>	<u>\$ (14,119)</u>	<u>\$ 607</u>	<u>\$ 184,544</u>

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

For the Year Ended December 31, 2018				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Tax losses	\$ 161,478	\$ 11,404	\$ -	\$ 172,882
Defined benefit obligation	6,059	(1,404)	1,063	5,718
Inventories	5,522	5,246	-	10,768
Other	<u>9,178</u>	<u>(490)</u>	<u>-</u>	<u>8,688</u>
	<u>\$ 182,237</u>	<u>\$ 14,756</u>	<u>\$ 1,063</u>	<u>\$ 198,056</u>

<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>19,846</u>	<u>11,499</u>	<u>-</u>	<u>31,345</u>
	<u>\$ 44,129</u>	<u>\$ 11,499</u>	<u>\$ -</u>	<u>\$ 55,628</u>

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

As of December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$445,469 thousand and \$316,887 thousand, respectively.

e. Information about unused loss carryforward and tax-exemption

As of December 31, 2017, the approved tax-exempt expansion projects were as follows:

<u>Expansion Projects</u>	<u>Tax-exempt Period</u>	
Capitalization of earnings (share dividends) in 2008 and cash funded expansion in 2009	December 2013 to December 2017	
Investee	Unused Amount	Expiry Year
Suzhou Honxin	\$ 496,437	2020-2024
Suzhou Hon Chuan	70,679	2020-2024
Zhangzhou Hon Chuan	84,174	2023-2024
Luoch Hon Chuan	<u>4,434</u>	2023
	<u>\$ 665,724</u>	

As of December 31, 2019 under the local regulations of Suzhou Hon Chuan, Suzhou Honxin, Zhangzhou Hon Chuan and Luoch Hon Chuan, their loss carryforwards may offset against future taxable income.

f. Income tax assessments

Income tax returns of the Corporation through 2017 have been examined and cleared 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\$)
<u>For the year ended December 31, 2019</u>			
Basic	\$ 1,381,036	292,879	<u>\$ 4.72</u>
Dilutive effects - employees' compensation or bonus issue to employees	<u>-</u>	<u>577</u>	
Dilutive	<u>\$ 1,381,036</u>	<u>293,456</u>	<u>\$ 4.71</u>
<u>For the year ended December 31, 2018</u>			
Basic	\$ 1,092,531	292,879	<u>\$ 3.73</u>
Dilutive effects - employees' compensation or bonus issue to employees	<u>-</u>	<u>601</u>	
Dilutive	<u>\$ 1,092,531</u>	<u>293,480</u>	<u>\$ 3.72</u>

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were 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

According to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” made by the government, the Corporation borrowed \$602,502 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 1.10%-1.60% for an equivalent loan, the fair value of the loan was estimated at \$565,371 thousand on initial recognition. The difference of \$37,131 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, 2019, the amount recognized in other revenue was \$1,002 thousand, and interest expense recognized on this loan was \$1,354 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 reviews the capital structure on a quarterly basis. As part of this review, the key management personnel considers 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
<u>December 31, 2019</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 29,775	\$ -	\$ -	\$ 29,775
Shares of publicly quoted entity	12,652	-	-	12,652
Foreign corporate bonds	29,223	-	-	29,223
Foreign exchange forward contracts	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
	<u>\$ 71,650</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 71,675</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 142</u>	<u>\$ -</u>	<u>\$ 142</u>
Financial assets at fair value through other comprehensive income				
Equity investments				
Overseas shares of publicly quoted entity	\$ 5,099	\$ -	\$ -	\$ 5,099
Unlisted shares	<u>-</u>	<u>-</u>	<u>35,399</u>	<u>35,399</u>
	<u>\$ 5,099</u>	<u>\$ -</u>	<u>\$ 35,399</u>	<u>\$ 40,498</u>
<u>December 31, 2018</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 55,075	\$ -	\$ -	\$ 55,075
Shares of publicly quoted entity	13,275	-	-	13,275
Foreign corporate bonds	<u>30,432</u>	<u>-</u>	<u>-</u>	<u>30,432</u>
	<u>\$ 98,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,782</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ 62</u>
Financial assets at fair value through other comprehensive income				
Equity investments				
Overseas shares of publicly quoted entity	\$ 2,841	\$ -	\$ -	\$ 2,841
Unlisted shares	<u>-</u>	<u>-</u>	<u>38,776</u>	<u>38,776</u>
	<u>\$ 2,841</u>	<u>\$ -</u>	<u>\$ 38,776</u>	<u>\$ 41,617</u>

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

2) Valuation techniques and assumptions applied for fair value measurement

- a) The fair value of financial instruments with standard conditions and traded in active market, including listed shares, is decided based on the market price.
- b) The fair values of foreign exchange forward contracts are determined using the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- c) The unlisted equity investments at fair value through other comprehensive income were 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	
	2019	2018
Balance at January 1	\$ 38,776	\$ -
Reclassification	-	36,155
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	752	2,621
Proceeds from sale of equity instruments at fair value through other comprehensive income	(129)	-
Return of capital due to capital reduction of invested companies	<u>(4,000)</u>	<u>-</u>
Balance at December 31	<u>\$ 35,399</u>	<u>\$ 38,776</u>

b. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
FVTPL	\$ 71,675	\$ 98,782
Financial assets at amortized cost		
Cash and cash equivalents	3,938,285	2,979,711
Notes receivable and trade receivable	3,318,476	3,265,021
Financial assets at fair value through other comprehensive income - equity investments	40,498	41,617
Other receivable	54,537	76,981
Refundable deposits	51,423	53,879

	December 31	
	2019	2018
<u>Financial liabilities</u>		
FVTPL	\$ 142	\$ 62
Amortized cost		
Short-term borrowings	3,553,001	5,037,154
Short-term bill payable	1,375,000	-
Notes payable and trade payable	1,016,967	1,066,640
Bonds payable	2,996,308	2,995,224
Long-term borrowing (including current portion)	6,931,187	5,978,897
Other payable	710,304	600,646
Guarantee deposits received	24,941	40,873

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 takes actions to manage uncertainty of the market with the objective to reduce the potentially adverse effects the 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 quarterly if the use of financial derivatives is governed by the Group's policies 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 activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. There had been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

The Group and several subsidiaries of the Corporation have foreign currency sales and purchases, which exposes 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 and EUR.

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, 2019 and 2018 would have changed by increasing \$4,278 thousand and \$4,621 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, 2019 and 2018 would have changed by increasing \$726 thousand and \$745 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 amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	2019	2018
Fair value interest rate risk		
Financial liabilities	\$ 4,815,724	\$ 2,995,224
Cash flow interest rate risk		
Financial liabilities	10,484,188	11,016,051

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, 2019 and 2018 would decrease by \$13,105 thousand and \$13,770 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As 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 28% and 35% in total trade receivables as of December 31, 2019 and 2018, respectively. 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, 2019 and 2018, the Corporation had available unutilized short-term bank loan facilities of \$14,628,646 thousand and \$10,606,521 thousand, respectively.

The following table details the Group's remaining contractual maturity 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	Total
<u>December 31, 2019</u>				
Non-derivative financial liabilities				
Borrowings	\$ 4,553,001	\$ 5,729,238	\$ 237,727	\$10,519,966
Short-term bills payable	1,375,000	-	-	1,375,000
Non-interest bearing liabilities	1,016,967	-	-	1,016,967
Bonds payable	-	2,996,308	-	2,996,308
Lease liabilities	<u>61,185</u>	<u>178,408</u>	<u>268,242</u>	<u>507,835</u>
	<u>\$ 7,006,153</u>	<u>\$ 8,903,954</u>	<u>\$ 505,969</u>	<u>\$16,416,076</u>
Derivative financial liabilities				
Foreign exchange forward contracts	<u>\$ 142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142</u>

	Less Than 1 Year	1-5 Years	5+ Years	Total
<u>December 31, 2018</u>				
Non-derivative financial liabilities				
Borrowings	\$ 5,037,154	\$ 5,978,897	\$ -	\$11,016,051
Non-interest bearing liabilities	1,066,640	-	-	1,066,640
Bonds payable	<u>-</u>	<u>2,995,224</u>	<u>-</u>	<u>2,995,224</u>
	<u>\$ 6,103,794</u>	<u>\$ 8,974,121</u>	<u>\$ -</u>	<u>\$15,077,915</u>
Derivative financial liabilities				
Foreign exchange forward contracts	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 61,185</u>	<u>\$ 178,408</u>	<u>\$ 87,730</u>	<u>\$ 46,912</u>	<u>\$ 41,805</u>	<u>\$ 91,795</u>

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party Categories / Names

<u>Related Party</u>	<u>Relationship with the Consolidated Company</u>
Food and Drink Public Company Limited	Others
Chiu Vorng Vorng Mary Company Co., Ltd.	Others
Ann Huang	Others

b. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Net sales		
Others	<u>\$ 10,253</u>	<u>\$ 8,363</u>
Rental expenses (recorded under manufacturing or operation expenses)		
Others	<u>\$ 3,770</u>	<u>\$ 293</u>

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

The Group has leased warehouse from related parties. The rent is based on the rates of neighboring properties.

	<u>December 31</u>	
	2019	2018
Accounts receivable		
Others	<u>\$ 3,074</u>	<u>\$ 530</u>
Other receivable (recorded under current assets)		
Others	<u>\$ -</u>	<u>\$ 12,932</u>
Other payables (recorded under other current liabilities)		
Others	<u>\$ -</u>	<u>\$ 7,152</u>

c. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Short-term benefits	\$ 79,309	\$ 72,247
Post-employment benefits	<u>239</u>	<u>282</u>
	<u>\$ 79,548</u>	<u>\$ 72,529</u>

The remuneration of directors and key executives was determined by the remuneration committee 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:

	<u>December 31</u>	
	2019	2018
Property, plant and equipment	\$ 136,630	\$ 492,186
Restricted assets (recorded under other current assets)	<u>5,009</u>	<u>9,090</u>
	<u>\$ 141,639</u>	<u>\$ 501,276</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2019 and 2018 were as follows:

- a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$242,099 thousand and \$403,805 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<u>December 31</u>	
	2019	2018
Acquisition of property, plant and equipment	<u>\$ 933,510</u>	<u>\$ 168,567</u>

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 entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>						
USD	\$ 16,346	29.98	\$ 490,053	\$ 17,074	30.72	\$ 524,513
EUR	1,869	33.59	62,780	1,695	35.20	59,664
<u>Financial liabilities of monetary items</u>						
USD	30,616	29.98	917,868	32,116	30.72	986,604
EUR	4,031	33.59	135,401	3,812	35.20	134,182

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			
	2019		2018	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1	\$ 4,440	1	\$ 13,043
USD	30.912	322	30.15	5,319
RMB	4.49	<u>(7,226)</u>	4.55	<u>(30,728)</u>
		<u>\$ (2,464)</u>		<u>\$ (12,366)</u>

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 investigation of the case was

closed by Taichung Prosecutors Office. 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 as well as appointed a lawyer to appeal for a legal relief.

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 and disposed at 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)

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.
- Asia - Manufactures and sale in Asia other than Taiwan.

a. Segment revenues and results

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

	Domestic	Asia	Adjustment and Elimination	Total
<u>For the Year ended December 31, 2019</u>				
Revenue from external customers	\$ 8,574,895	\$ 12,952,453	\$ -	\$ 21,527,348
Inter-segment revenue	<u>77,982</u>	<u>145,545</u>	<u>(223,527)</u>	<u>-</u>
Segment revenue	<u>\$ 8,652,877</u>	<u>\$ 13,097,998</u>	<u>\$ (223,527)</u>	<u>\$ 21,527,348</u>
Segment income	<u>\$ 1,004,681</u>	<u>\$ 1,251,267</u>		\$ 2,255,948
Financial costs				(261,702)
Foreign exchange loss				1,277
Other gains and losses				<u>3,326</u>
Profit before tax				<u>\$ 1,998,849</u>
<u>For the Year ended December 31, 2018</u>				
Revenue from external customers	\$ 8,378,985	\$ 11,550,732	\$ -	\$ 19,929,717
Inter-segment revenue	<u>95,778</u>	<u>38,225</u>	<u>(134,003)</u>	<u>-</u>
Segment revenue	<u>\$ 8,474,763</u>	<u>\$ 11,588,957</u>	<u>\$ (134,003)</u>	<u>\$ 19,929,717</u>
Segment income	<u>\$ 975,546</u>	<u>\$ 600,864</u>		\$ 1,576,410
Financial costs				(248,581)
Foreign exchange loss				(30,957)
Other gains and losses				<u>185,081</u>
Profit before tax				<u>\$ 1,481,953</u>

Inter-segment revenues were accounted for according to market price.

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 Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2019	2018
Packaging materials	\$ 13,607,228	\$ 12,738,475
Beverages (included bottle filling and OEM)	6,641,507	5,700,995
Others	<u>1,278,613</u>	<u>1,490,247</u>
	<u>\$ 21,527,348</u>	<u>\$ 19,929,717</u>

- d. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Taiwan	\$ 8,574,895	\$ 8,378,986	\$ 6,031,570	\$ 5,332,413
China	6,661,662	6,743,102	6,831,791	7,540,583
Southeast Asia	6,033,220	4,621,556	6,937,396	5,440,575
Others	<u>257,571</u>	<u>186,073</u>	<u>384,678</u>	<u>400,642</u>
	<u>\$ 21,527,348</u>	<u>\$ 19,929,717</u>	<u>\$ 20,185,435</u>	<u>\$ 18,714,213</u>

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

- e. Information on major customers

Single customers that contributing 10% or more to the Group's revenue were as follows:

Names	For the Year Ended December 31	
	2019	2018
Customer A	\$ 1,874,970	\$ 2,017,100

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
0	The Corporation	Honhua Holdings	Account receivable-related parties	Yes	\$ 661 (US\$ 22)	\$ -	\$ -	-	Business transaction	\$ -	-	\$ -	-	\$ -	\$ -	\$ 5,227,816
1	Samoa Hon Chuan	Hon Chuan China	Receivable from related parties	Yes	2,535,784 (US\$ 84,583)	2,535,784 (US\$ 84,583)	2,535,784 (US\$ 84,583)	3.40%-4.39%	Short-term financing	-	Operating Capital	-	-	-	6,242,249	6,242,249
		Hon Chuan Asia	Receivable from related parties	Yes	15,572 (US\$ 519)	15,572 (US\$ 519)	15,572 (US\$ 519)	3.40%	Short-term financing	-	Operating Capital	-	-	-	6,242,249	6,242,249
		Shimada	Other receivable - related parties	Yes	13,989 (US\$ 467)	-	-	-	Business transaction	13,989 (US\$ 467)	-	-	-	-	13,989	6,242,249
2	Kai Gang	Hon Chuan China	Receivable from related parties	Yes	129,214 (US\$ 4,310)	129,214 (US\$ 4,310)	129,214 (US\$ 4,310)	3.40%-4.39%	Short-term financing	-	Operating Capital	-	-	-	2,095,234	2,095,234
3	Hon Chuan Asia	Hon Chuan Indonesia	Other receivable - related parties	Yes	46,228 (EUR 1,376)	-	-	-	Business transaction	-	-	-	-	-	-	3,337,164
		Samoa Honly	Receivable from related parties	Yes	128,914 (US\$ 4,300)	128,914 (US\$ 4,300)	128,914 (US\$ 4,300)	3.90%-4.89%	Short-term financing	-	Operating Capital	-	-	-	3,337,164	3,337,164
		Hon Chuan Myanmar	Receivable from related parties	Yes	23,942 (US\$ 799)	-	-	4.52%-4.88%	Short-term financing	-	Operating Capital	-	-	-	3,337,164	3,337,164
			Other receivable - related parties	Yes	68,481 (US\$ 2,115)	-	-	-	Business transaction	31,787 (US\$ 1,060)	-	-	-	-	31,787	3,337,164
		Hon Chuan Vietnam	Receivable from related parties	Yes	59,960 (US\$ 2,000)	-	-	4.04%-4.89%	Short-term financing	-	Operating Capital	-	-	-	3,337,164	3,337,164
		Cambodia Honly	Other receivable - related parties	Yes	4,131 (US\$ 138)	-	-	-	Business transaction	4,131 (US\$ 138)	-	-	-	-	4,131	3,337,164
			Receivable from related parties	Yes	6,296 (US\$ 210)	6,296 (US\$ 210)	6,296 (US\$ 210)	3.90%-4.06%	Short-term financing	-	Operating Capital	-	-	-	3,337,164	3,337,164
4	Suzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	83,801 (RMB 19,500)	19,339 (RMB 4,500)	19,339 (RMB 4,500)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	396,737	396,737
		Xiantao Hon Chuan	Receivable from related parties	Yes	15,041 (RMB 3,500)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	396,737	396,737
		Luoch Hon Chuan	Receivable from related parties	Yes	53,718 (RMB 12,500)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	396,737	396,737
		Qingxin Hon Chuan	Receivable from related parties	Yes	47,272 (RMB 11,000)	-	-	3.90%	Short-term financing	-	Operating Capital	-	-	-	396,737	396,737
5	Changsha Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	79,503 (RMB 18,500)	70,908 (RMB 16,500)	70,908 (RMB 16,500)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	412,981	412,981
		Xiantao Hon Chuan	Receivable from related parties	Yes	107,437 (RMB 25,000)	73,057 (RMB 17,000)	73,057 (RMB 17,000)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	412,981	412,981
		Suzhou Hongxin	Receivable from related parties	Yes	49,421 (RMB 11,500)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	412,981	412,981
		Luoch Hon Chuan	Receivable from related parties	Yes	25,785 (RMB 6,000)	12,892 (RMB 3,000)	12,892 (RMB 3,000)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	412,981	412,981

(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		
6	Jinan Hon Chuan	Qingxin Hon Chuan	Receivable from related parties	Yes	\$ 81,652 (RMB 19,000)	\$ -	\$ -	3.70%-3.90%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 583,841	\$ 583,841
		Xiantao Hon Chuan	Receivable from related parties	Yes	17,190 (RMB 4,000)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	583,841	583,841
		Chuzhou Hon Chuan	Receivable from related parties	Yes	17,190 (RMB 4,000)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	583,841	583,841
		Suzhou Hon Chung	Receivable from related parties	Yes	42,975 (RMB 10,000)	17,190 (RMB 4,000)	17,190 (RMB 4,000)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	583,841	583,841
		Luocho Hon Chuan	Receivable from related parties	Yes	141,816 (RMB 33,000)	141,816 (RMB 33,000)	141,816 (RMB 33,000)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	583,841	583,841
7	Taiyuan Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	85,949 (RMB 20,000)	21,487 (RMB 5,000)	21,487 (RMB 5,000)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	605,577	605,577
		Qingxin Hon Chuan	Receivable from related parties	Yes	21,487 (RMB 5,000)	-	-	3.90%	Short-term financing	-	Operating Capital	-	-	-	605,577	605,577
		Chuzhou Hon Chuan	Receivable from related parties	Yes	73,057 (RMB 17,000)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	605,577	605,577
		Suzhou Hon Hsing	Receivable from related parties	Yes	42,975 (RMB 10,000)	21,487 (RMB 5,000)	21,487 (RMB 5,000)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	605,577	605,577
		Luocho Hon Chuan	Receivable from related parties	Yes	25,785 (RMB 6,000)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	605,577	605,577
8	Zhongzhou Hon Chung	Xiantao Hon Chuan	Receivable from related parties	Yes	55,867 (RMB 13,000)	-	-	3.90%	Short-term financing	-	Operating Capital	-	-	-	441,984	441,984
		Chuzhou Hon Chuan	Receivable from related parties	Yes	45,123 (RMB 10,500)	38,677 (RMB 9,000)	38,677 (RMB 9,000)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	441,984	441,984
		Suzhou Honxin	Receivable from related parties	Yes	64,462 (RMB 15,000)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	441,984	441,984
		Luocho Hon Chuan	Receivable from related parties	Yes	70,908 (RMB 16,500)	66,611 (RMB 15,500)	66,611 (RMB 15,500)	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	441,984	441,984
		Qingxin Hon Chuan	Receivable from related parties	Yes	25,785 (RMB 6,000)	-	-	3.70%-3.90%	Short-term financing	-	Operating Capital	-	-	-	441,984	441,984

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 Company will not be subjected to the restriction on 40% of the latest net assets of the Company.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2019.

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

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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)	\$ 6,534,771	\$ 717,721 (US\$ 23,940)	\$ 717,721 (US\$ 23,940)	\$ 95,445 (US\$ 3,184)	\$ -	5	\$ 13,069,541	Y	-	-
		Samoa Hon Chuan	(Note 4)	6,534,771	2,068,620 (US\$ 69,000)	2,068,620 (US\$ 69,000)	299,800 (US\$ 10,000)	-	16	13,069,541	Y	-	-
		Hon Chuan China	(Note 4)	6,534,771	3,747,500 (US\$ 125,000)	3,147,900 (US\$ 105,000)	2,130,079 (US\$ 71,050)	-	24	13,069,541	Y	-	-
		Hon Chuan Asia	(Note 4)	6,534,771	1,199,200 (US\$ 40,000)	659,560 (US\$ 22,000)	137,908 (US\$ 4,600)	-	5	13,069,541	Y	-	-
		Luoch Hon Chuan	(Note 4)	6,534,771	359,760 (US\$ 12,000)	359,760 (US\$ 12,000)	299,800 (US\$ 10,000)	-	3	13,069,541	Y	-	Y
		Myanmar Hon Chuan	(Note 4)	6,534,771	149,900 (US\$ 5,000)	149,900 (US\$ 5,000)	148,281 (US\$ 4,946)	-	1	13,069,541	Y	-	-
		Samoa Hon Hsing	(Note 4)	6,534,771	569,620 (US\$ 19,000)	569,620 (US\$ 19,000)	284,810 (US\$ 9,500)	-	4	13,069,541	Y	-	-
		Qingxin Hon Chuan	(Note 4)	6,534,771	584,010 (US\$ 19,480)	389,740 (US\$ 13,000)	149,900 (US\$ 5,000)	-	3	13,069,541	Y	-	Y
		Suzhou Hongxin	(Note 4)	6,534,771	149,900 (US\$ 5,000)	-	-	-	-	13,069,541	Y	-	Y
		Xiantao Hon Chuan	(Note 4)	6,534,771	104,930 (US\$ 3,500)	29,980 (US\$ 1,000)	-	-	-	13,069,541	Y	-	Y
		Chuzhou Hon Chuan	(Note 4)	6,534,771	102,532 (US\$ 3,420)	59,960 (US\$ 2,000)	-	-	-	13,069,541	Y	-	Y
		Bon Trust	(Note 4)	6,534,771	203,564 (US\$ 6,790)	203,564 (US\$ 6,790)	3,000 (US\$ 100)	-	2	13,069,541	Y	-	-
		1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	1,108,910	50,490 (THB 50,000)	30,294 (THB 30,000)	2,020 (THB 2,000)	-	-	2,217,820	-

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, 2019.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(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, 2019			
				Shares	Carrying Value (Note 1)	Percentage of Ownership	Fair Value (Note 1)
The Corporation	<u>Share Capital</u> CDIB CME Fund Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,600,000	\$ 26,754	2	\$ 26,754
	Lightel Technologies Inc.	-	Financial assets at fair value through other comprehensive income - non-current	551,051	8,645	2.8	8,645
	Bizlink holdings Inc.	-	Financial assets at fair value through profit or loss - current	40,000	9,020	-	9,020
	Hon Hai Precision Industry Co., Ltd.	-	Financial assets at fair value through profit or loss - current	40,000	3,632	-	3,632
	<u>Corporate Bonds</u> Adimmune Corporation	-	Financial assets at fair value through profit or loss - current	100,000	11,695	-	11,695
	TCI CO., Ltd.	-	Financial assets at fair value through profit or loss - current	160,000	18,080	-	18,080
	<u>Corporate Bonds</u> Garden Fresh (HK) Fruit & Vegetable Co., Limited	-	Financial instruments at fair value through profit or loss - current	-	29,223 (US\$ 975)	-	29,223 (US\$ 975)
Hon Chuan Thailand	<u>Share Capital</u> Ichitan Group Public Company Limited	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	5,099 (THB 5,050)	0.08	5,099 (THB 5,050)

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, 2019.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (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	395,643,793	\$ 13,716,075	85,300,000	\$ 2,622,270	480,943,793	\$ 16,983,695
Samoa Hon Chuan	Hon Chuan Asia	Investments accounted for using equity method	-	Parent - subsidiary	205,863,480	7,220,323	30,934,880	927,431	236,798,360	9,038,221
						(US\$ 240,838)		(US\$ 30,935)		(US\$ 301,475)
Hon Chuan Asia	Hon Chuan Indonesia	Investments accounted for using equity method	-	Parent - subsidiary	91,641,304	2,336,072	6,934,479	923,834	98,575,783	3,644,009
						(US\$ 77,921)		(US\$ 30,815)		(US\$ 121,548)

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, 2019.

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

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, 2019
 (In Thousands of Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 1)	\$ 2,535,784 (US\$ 84,583)	-	\$ -	Depend on the operation	\$ 184,752 (US\$ 6,163)	\$ -
Kai Gang	Hon Chuan China	(Note 1)	129,214 (US\$ 4,310)	-	-	Depend on the operation	39,274 (US\$ 1,310)	-
Jinan Hon Chuan	Luoch Hon Chuan	(Note 1)	141,816 (RMB 33,000)	-	-	Depend on the operation	-	-
Hon Chuan Asia	Samoa Honly	(Note 1)	128,914 (US\$ 4,300)	-	-	Depend on the operation	-	-

Note 1: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

Note 2: 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, 2019
(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	\$ 2,535,784	Depend on working capital sufficiency	8

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 INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 4)	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount (Note 4)			
The Corporation	Samoa Hon Chuan	Samoa	Overseas reinvested holding company and international trade	\$ 14,753,912	\$ 12,131,642	480,943,793	100	\$ 16,983,695	\$ 854,676	\$ 854,676	Subsidiary
	Bon Trust	Taichung	Overseas reinvested holding company and international trade	9,990	-	999,000	99.99	10,615	625	625	Subsidiary
	Hon Chuan Cambodia	Cambodia	Manufacture and sale of PET bottles	46,427	-	600	100	43,991	(1,010)	(1,010)	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	4,936,687	3,917,367	111,802,005	94.17	5,144,988	198,239	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company and international trade	(US\$ 164,666)	(US\$ 130,666)	236,798,360	100	(US\$ 171,614)	(US\$ 6,413)	(Note 1)	Indirect subsidiary
	Hon Chuan Africa	Samoa	Overseas reinvested holding company and international trade	(US\$ 7,150,620)	(US\$ 6,223,188)	13,044,118	100	(US\$ 9,038,221)	(US\$ 576,354)	(Note 1)	Indirect subsidiary
	Paeon Company	Seychelles	Overseas reinvested holding company and international trade	(US\$ 238,513)	(US\$ 207,578)	-	23.08	(US\$ 301,475)	(US\$ 18,645)	(Note 1)	Investments accounted for using equity method
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	(US\$ 391,059)	(US\$ 391,059)	1,201,561,003	100	(US\$ 461,662)	(US\$ 28,068)	(Note 1)	Indirect subsidiary
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	(US\$ 13,044)	(US\$ 13,044)	126,006,000	100	(US\$ 15,399)	(US\$ 908)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	(US\$ 28,121)	(US\$ 28,121)	137,000,000	100	(US\$ 16,393)	(US\$ 14,560)	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps and PET bottles	(US\$ 938)	(US\$ 938)	13,819,780	95.94	(US\$ 547)	(US\$ 471)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of plastic caps, labels, pp bottles and PET bottles	4,570,751	4,570,751	12,666,225	65	5,366,360	200,990	(Note 1)	Indirect subsidiary
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	(US\$ 152,460)	(US\$ 152,460)	15,086,569	100	(US\$ 178,998)	(US\$ 6,502)	(Note 1)	Indirect subsidiary
Samoa Honly	Cambodia Honly	Cambodia	Manufacture and sale of plastic caps and PET bottles	3,777,660	3,777,660	3,138,790	60	4,532,137	236,786	(Note 1)	Indirect subsidiary
	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	(US\$ 126,006)	(US\$ 126,006)	15,086,569	100	(US\$ 151,172)	(US\$ 7,660)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	1,244,110	1,244,110	137,000,000	100	2,168,903	179,073	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	(US\$ 41,498)	(US\$ 41,498)	98,575,783	100	(US\$ 72,345)	(US\$ 5,793)	(Note 1)	Indirect subsidiary
Hon Chuan Vietnam	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	3,672,790	2,748,956	-	100	3,644,009	224,205	(Note 1)	Indirect subsidiary
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	(US\$ 122,508)	(US\$ 91,693)	-	100	(US\$ 121,548)	(US\$ 7,253)	(Note 1)	Indirect subsidiary
Hon Chuan Myanmar	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps and PET bottles	959,360	899,400	81,259,900	100	1,253,764	94,127	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 32,000)	(US\$ 30,000)	89,524,394	70	(US\$ 41,820)	(US\$ 3,045)	(Note 1)	Indirect subsidiary
Hon Chuan Myanmar	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE film	782,448	782,448	13,819,780	95.94	777,951	53,818	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 26,099)	(US\$ 26,099)	13,819,780	95.94	(US\$ 25,949)	(US\$ 1,741)	(Note 1)	Indirect subsidiary
Samoa Honly	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE film	713,104	713,104	89,524,394	70	659,440	85,224	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 23,786)	(US\$ 23,786)	13,819,780	95.94	(US\$ 21,996)	(US\$ 2,757)	(Note 1)	Indirect subsidiary
Hon Chuan Myanmar	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE film	267,422	267,422	13,819,780	95.94	82,265	(75,734)	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 8,920)	(US\$ 8,920)	13,819,780	95.94	(US\$ 2,744)	(US\$ 2,450)	(Note 1)	Indirect subsidiary
Hon Chuan Myanmar	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE film	54,084	54,084	1,002	49	54,923	3,555	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 1,804)	(US\$ 1,804)	1,002	49	(US\$ 1,832)	(US\$ 115)	(Note 1)	Indirect subsidiary
Hon Chuan Myanmar	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE film	242,838	173,884	8,100,000	60	292,185	58,918	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 8,100)	(US\$ 5,800)	8,100,000	60	(US\$ 9,746)	(US\$ 1,906)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of plastic caps, labels, pp bottles and PET bottles	127,902	127,902	12,666,225	65	189,884	23,153	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(THB 126,662)	(THB 126,662)	12,666,225	65	(THB 188,044)	(THB 23,134)	(Note 1)	Indirect subsidiary
Samoa Honly	Cambodia Honly	Cambodia	Manufacture and sale of plastic caps and PET bottles	452,308	271,319	15,086,569	100	158,774	(64,977)	(Note 1)	Indirect subsidiary
	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	(US\$ 15,087)	(US\$ 9,050)	15,086,569	100	(US\$ 5,296)	(US\$ 2,102)	(Note 1)	Indirect subsidiary
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	391,059	391,059	3,138,790	60	429,074	44,421	(Note 1)	Indirect subsidiary
	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	(US\$ 13,044)	(US\$ 13,044)	3,138,790	60	(US\$ 14,312)	(US\$ 1,437)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sales of plastic caps PET bottles and LDPE membrane	27,252	27,252	-	100	119,950	32,736	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Mozambique	Manufacture and sales of plastic caps	(US\$ 909)	(US\$ 909)	-	100	(US\$ 4,001)	(US\$ 1,059)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sales of plastic caps PET bottles and LDPE membrane	72,612	72,612	-	100	93,328	13,509	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Mozambique	Manufacture and sales of plastic caps	(US\$ 2,422)	(US\$ 2,422)	-	100	(US\$ 3,113)	(US\$ 437)	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	4,137	4,137	-	100	63,857	57,836	(Note 1)	Indirect subsidiary
	Uni Tun	Myanmar	Bottled water filling	(US\$ 138)	(US\$ 138)	-	100	(US\$ 2,130)	(US\$ 1,871)	(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, 2019.

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

Note 4: Significant intercompany accounts and transactions have been eliminated.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	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, 2019 (Notes 2 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and aluminum closures	\$ 614,290 (US\$ 20,490)	(Note 1)	\$ 577,415 (US\$ 19,260)	\$ -	\$ -	\$ 577,415 (US\$ 19,260)	\$ (12,550)	94.17%	\$ (11,808)	\$ 922,712	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	1,588,940 (US\$ 53,000)	(Note 1)	363,927 (US\$ 12,139)	-	-	363,927 (US\$ 12,139)	193,478	94.17%	182,195	1,989,154	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	1,199,200 (US\$ 40,000)	(Note 1)	191,932 (US\$ 6,402)	-	-	191,932 (US\$ 6,402)	(33,169)	94.17%	(31,252)	1,023,472	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,379,080 (US\$ 46,000)	(Note 1)	735,289 (US\$ 24,526)	-	-	735,289 (US\$ 24,526)	(53,354)	94.17%	(50,232)	738,441	-
Jinan Hon Chuan	Manufacture and sale of plastic caps and PET bottles and beverage filling OEM service	599,600 (US\$ 20,000)	(Note 1)	222,512 (US\$ 7,422)	-	-	222,512 (US\$ 7,422)	155,055	94.17%	145,997	1,259,804	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	554,630 (US\$ 18,500)	(Note 1)	294,673 (US\$ 9,829)	-	-	294,673 (US\$ 9,829)	64,606	94.17%	60,866	1,030,531	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	989,340 (US\$ 33,000)	(Note 1)	342,731 (US\$ 11,432)	-	-	342,731 (US\$ 11,432)	87,326	94.17%	82,226	1,504,436	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	299,800 (US\$ 10,000)	(Note 1)	13,911 (US\$ 464)	-	-	13,911 (US\$ 464)	24,791	94.17%	23,339	259,567	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps and PET bottles and beverage filling OEM service	449,700 (US\$ 15,000)	(Note 1)	23,264 (US\$ 776)	-	-	23,264 (US\$ 776)	17,558	94.17%	16,507	371,168	-
Luooh Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	359,760 (US\$ 12,000)	(Note 1)	-	-	-	-	5,873	94.17%	5,533	317,245	-
Anyang Hon Chuan	Sale of packaging materials for new type of PE/PP and for food	34,380 (RMB 8,000)	(Note 1)	-	-	-	-	6,306	94.17%	5,935	38,932	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,816,381 (USD 93,942)	\$ 7,488,974 (USD 249,799)	(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, 2019.

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