# China Man-Made Fiber Corporation and Subsidiaries

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

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For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

## Independent Auditor's Audit Report

To CHINA MAN-MADE FIBER CORPORATION:

**Audit opinions**

We have audited the accompanying consolidated balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2020 and 2019, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion based on our audit results and the audit reports offered by other accountants (please refer to other sections), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Man-Made Fiber and subsidiaries as of December 31, 2020 and 2019, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission with the effective dates.

**The basis for opinions**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Chinese Gamer International Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matter**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of China Man-Made Fiber Co., Ltd. and its subsidiaries in 2020. These matters were addressed in the content 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 those matters.

Key audit procedures of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and subsidiary in 2020 included:

<u>Authenticity of specific sales revenue</u>

Notes to key audit matters

During 2020, China Man-made Fiber Corporation and its subsidiaries received NT$2,552,415 thousand sales revenues from specific customers, accounting for 8.30% of the net individual sale revenues. Besides, sales revenues from such specific customers prove relatively higher in gross profit margins. Accordingly, the authenticity of sales income from such specific customers China Man-made Fiber Corporation and its subsidiaries is taken as the one of the very key points in audit.

Please refer to Note 4 (18) of the consolidated financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Awareness of the design and implementation of the internal control system related to the recognition of sales revenues for China Man-made Fiber Corporation and its subsidiaries.
2. The efforts to obtain details of the sales revenues account for specific customers in Year 2020 and select samples to check the shipping-related forms and documents to test the authenticity of the sales facts.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

<u>Assessment of the expected credit loss from discounting and advances.</u>

Notes to key audit matters

As indicated in Notes 15 and 33(5) of the consolidated financial statements, for the net discounts and loans of China Man-made Fiber Corporation and its subsidiaries at the end of Year 2020, the anticipated credit loss amortized in Year 2020 amounted to NT$456,541,322 thousand and NT$298,742 thousand, respectively, accounting for 59.83% of the total assets and 6.80% of comprehensive profit and/or loss, respectively, deemed as quite significant toward the overall consolidated financial statement. In addition, as stated in Note 5 of the Consolidated Financial Statement, China Man-Made Fiber Corporation and its subsidiaries consider major estimates and judgments of the management level including probability of default and loss given default when determining expected credit losses pursuant to decrees and ordinances of the competent authority. For these reasons, expected credit loss of discounts and loans to the customers are determined as key audit matters.

Regarding the accounting policies related to discounts and loans, the estimated credit loss, information linked up with accounting estimate and uncertainties in hypotheses, please refer to Notes 4 (15), 5, 15 and 33 (5) of the consolidated financial statements for details.

Audit response

1. Understand and test the internal control system adopted by the Company and its subsidiaries for assessing the expected credit loss from discounting and advances.
2. Sampling inspection of each individual recognition of major expected credit loss from discounting and advances of the Company and its subsidiaries, in order to evaluate the reasonableness of collateral value used for expected credit loss.
3. For the comprehensive evaluation of the expected credit loss adopted by the Company and its subsidiaries, understand and test key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness of the expected credit loss meeting the current experience and economic situation.
4. Review of conformity of appropriated amounts with relevant decrees and ordinances of the competent authority

**Other information**

The financial statements of investees included in the consolidated financial statements of the Company and its subsidiaries adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the consolidated statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2020 and 2019 are NT$1,103,434 thousand and NT$1,170,017 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2020 and 2019 are NT$(48,143) thousand and NT$20,491 thousand, respectively. Meanwhile, certain information related to the re-investees' business disclosed under Note 48 of the consolidated financial statement is, as well, disclosed based on the audit reports of other certified public accountants.

China Man-made Fiber Corporation has duly prepared and compiled individual financial statements for the years 2020 and 2019 for which, we, the certified public accountant, have issued audit reports with unqualified opinion plus other matters ready for reference.

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

The 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, Regulations Governing the Preparation of Financial Reports by Public Banks, and applicable IFRS, IAS,SIC, and IFRIC as recognized by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. and its subsidiaries or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd. and its subsidiaries.

**Auditor's 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 and auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that and audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered materials, 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 accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

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 risks, and obtain evidence that is sufficient and

appropriate to provide a basis of 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 internal control effective in China Man-Made Fiber Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with China Man-Made Fiber Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd. and its subsidiaries.

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries of 2020 and are therefore the key audit matters. We describe these matters in our auditor's 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 communications.

Deloitte & Touche

CPA: Hsu Wen-Ya

Accountant: Su-Huan Yu

Securities and Futures Commission
Approval No.
Tai-Tsai-Cheng (VI) No. 0920123784

Securities and Futures Commission
Approval No.
Tai-Tsai-Cheng (VI) No. 0920123784

March 15, 2021

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China Man-Made Fiber Corporation and subsidiary
Consolidated Balance Sheet
December 31, 2020 and 2019

Unit: NTD thousand

| Code | Assets | December 31, 2020 Amount | % | December 31, 2019 Amount | % |
|---|---|---|---|---|---|
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Note 4, 6 and 37) | $ 14,685,747 | 2 | $ 14,544,223 | 2 |
| 1110 | Due from Central Bank and lend to Banks (Note 7 and 38) | 40,371,218 | 5 | 33,876,974 | 5 |
| 1120 | Financial assets through profit and/or loss with measuring for the faire values-current (Note 4 and 8) | 31,424,974 | 4 | 25,105,212 | 4 |
| 1180 | Bonds and securities sold under repurchase agreements (Note 4 and 9) | 12,773,121 | 2 | 10,256,716 | 2 |
| 1201 | Notes receivable (Note 4, 10 and 38) | 4,481,574 | 1 | 4,431,796 | 1 |
| 1202 | Accounts receivable (Note 4 and 10) | 7,153,647 | 1 | 8,417,137 | 1 |
| 1203 | Other receivable (Note 4 and 10) | 3,519,815 | - | 2,384,377 | - |
| 1260 | Current income tax asset (Note 4 and 34) | 11,316 | - | 14,469 | - |
| 1270 | Inventory (Note 4 and 11) | 1,148,814 | - | 1,541,484 | - |
| 1280 | Prepaid (Note 12 and 37) | 859,532 | - | 958,391 | - |
| 1290 | Non-current Assets Held for Sale - net (Note 4, 13 and 38) | - | - | 769,610 | - |
| 1320 | Other current assets (Note 14 and 38) | 600,219 | - | 563,131 | - |
| 1330 | Notes discounted and loans – net (Note 4, 15 and 37) | 456,541,322 | 60 | 435,398,334 | 61 |
| 11XX | Total current assets | 573,571,299 | 75 | 538,261,854 | 76 |
| | Non-Current assets | | | | |
| 1415 | Financial assets at fair value through other comprehensive income- non-current (Note 4, 16 and 38) | 44,023,907 | 6 | 34,696,587 | 5 |
| 1435 | Financial assets on the basis of cost after amortization- non-current (Note 4, 17 and 38) | 112,624,454 | 15 | 108,124,373 | 15 |
| 1470 | Investment by equity method (Note 4, 19 and 38) | 1,115,825 | - | 1,180,884 | - |
| 1500 | Real estates, plant and equipment - net (Notes 4, 20 and 38) | 23,932,395 | 3 | 23,585,296 | 4 |
| 1595 | Right-of-use assets (Note 4 and 21) | 1,258,364 | - | 1,128,396 | - |
| 1600 | Real estate investments - net (Note 4, 22 and 38) | 2,165,712 | - | 1,464,708 | - |
| 1700 | Intangible assets – net (Note 4 and 23) | 246,491 | - | 181,823 | - |
| 1800 | Deferred income tax assets – net (Note 4 and 34) | 1,451,906 | - | 1,469,409 | - |
| 1900 | Other assets (Note 24 and 38) | 2,700,713 | 1 | 1,810,906 | - |
| 14XX | Total non-current assets | 189,519,767 | 25 | 173,642,382 | 24 |
| 1XXX | Total assets | $ 763,091,066 | 100 | $ 711,904,236 | 100 |
| **Code** | **Liabilities and equity** | | | | |
| | Current liabilities | | | | |
| 2110 | Short-term loans (Note 25 and 38) | $ 14,669,340 | 2 | $ 14,115,769 | 2 |
| 2120 | Short-term bills payable (Note 25) | 3,586,753 | 1 | 3,041,803 | - |
| 2130 | Bills and bonds sold under repurchase agreements (Note 4 and 26) | 2,300,077 | - | 10,369,025 | 2 |
| 2140 | Financial liabilities through profit and/or loss with measuring for the faire values-current (Note 4 and 8) | 785,819 | - | 233,803 | - |
| 2190 | Due to Central Bank and other banks (Note 27) | 7,037,338 | 1 | 6,527,060 | 1 |
| 2201 | Payable notes | 5,891 | - | 25,343 | - |
| 2202 | Accounts payable (Note 37) | 1,066,494 | - | 1,363,938 | - |
| 2204 | Other accounts payable (Note 28) | 7,970,409 | 1 | 6,757,265 | 1 |
| 2310 | Current income tax liability (Notes 4 and 34) | 164,433 | - | 398,167 | - |
| 2330 | Long-term liability due in one year or one business cycle (Note 25, 30 and 38) | 3,428,288 | 1 | 5,342,955 | 1 |
| 2335 | Lease liabilities – current (Note 4 and 21) | 301,722 | - | 241,038 | - |
| 2350 | Other current liabilities | 817,741 | - | 416,595 | - |
| 2360 | Customer deposits and remittances (Note 29 and 37) | 636,188,691 | 83 | 583,035,255 | 82 |
| 21XX | Total of current liabilities | 678,322,996 | 89 | 631,868,016 | 89 |
| | Non-current liabilities | | | | |
| 2540 | Bonds payable (Note 30 and 37) | 9,990,000 | 1 | 9,990,000 | 1 |
| 2550 | Long-term loans (Note 25 and 38) | 4,114,374 | 1 | 5,450,168 | 1 |
| 2600 | Liability reserve (Note 4 and 31) | 1,711,388 | - | 1,610,808 | - |
| 2620 | Deposits received | 585,349 | - | 600,998 | - |
| 2625 | Lease liabilities – non-current (Note 4 and 21) | 832,712 | - | 754,957 | - |
| 2630 | Deferred tax liabilities (Note 4 and 34) | 1,021,567 | - | 1,021,567 | - |
| 2660 | Other liabilities | 112,529 | - | 5,316 | - |
| 25XX | Total non-current liability | 18,367,919 | 2 | 19,433,814 | 2 |
| 2XXX | Total liabilities | 696,690,915 | 91 | 651,301,830 | 91 |
| | Equity of the parent company (Note 32) | | | | |
| 3110 | Common stock capital | 16,213,672 | 2 | 16,213,672 | 2 |
| 3210 | Capital surplus | 1,663,531 | - | 1,710,808 | - |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 855,476 | - | 855,476 | - |
| 3320 | Special reserve | 1,940,822 | - | 1,936,126 | - |
| 3330 | Undistributed earnings | 3,125,590 | 1 | 2,220,569 | 1 |
| | Other equity | | | | |
| 3410 | Exchange differences from the translation of financial statements of foreign operations | ( 116,241 ) | - | ( 86,995 ) | - |
| 3425 | Unrealized gain on financial assets at fair value through other comprehensive profit or loss | 451,962 | - | 382,016 | - |
| 3500 | Treasury stock (Note 4) | ( 1,136,802 ) | - | ( 1,227,909 ) | - |
| 31XX | Total equity of the parent company | 22,998,010 | 3 | 22,003,763 | 3 |
| 32XX | Non-controlling interest (Note 32) | 43,402,141 | 6 | 38,598,643 | 6 |
| 3XXX | Total equity | 66,400,151 | 9 | 60,602,406 | 9 |
| 4XXX | Total Liabilities and Equity | $ 763,091,066 | 100 | $ 711,904,236 | 100 |

The notes attached shall constitute an integral part of this consolidated financial statement.
(Refer to Auditor's Report presented by Deloitte & Touche dated March 15, 2021)

Chairman: Kuei-Hsien Wang        Manager: Ming-Shang Chuang        Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary

Consolidated Income Statement

January 1 to December 31, 2020 and 2020

Unit: NTD Thousand, except for earnings (losses) per share in NTD

| Code | | 2020 Amount | 2020 % | 2019 Amount | 2019 % |
|---|---|---|---|---|---|
| | Revenue (Note 4) | | | | |
| 4010 | Interest revenues (Note 33 and 37) | $ 12,069,760 | 39 | $ 13,455,005 | 38 |
| 4050 | Income from handling fees (Note 33) | 3,145,454 | 10 | 3,152,070 | 9 |
| 4060 | Shareholding in the affiliated companies and joint ventures under the equity method (Note 19) | - | - | 13,998 | - |
| 4090 | Gain (loss) on financial assets and liabilities at fair value through profit and loss (Note 33) | 46,575 | - | 717,379 | 2 |
| 4105 | Realized gain on financial assets at fair value through other comprehensive profit or loss | 84,263 | - | 7,606 | - |
| 4160 | Net sales revenue (Note 37) | 11,931,595 | 39 | 17,936,719 | 50 |
| 4210 | Gain in disposal of real estate, plant buildings, equipment & facilities | - | - | 447 | - |
| 4200 | Capital gain from disposition of investment property (Note 22) | 2,863,592 | 10 | - | - |
| 4255 | Expected credit reversal benefit (Note 10, 16, 17 and 33) | 76,275 | - | 10,863 | - |
| 4260 | Exchange gain | 231,314 | 1 | 200,438 | - |
| 4270 | Other income (Note 33) | 367,571 | 1 | 237,497 | 1 |
| 4XXX | Total revenue | 30,816,399 | 100 | 35,732,022 | 100 |
| | Expenses | | | | |
| 5010 | Interest expenses (Note 33 and 37) | 3,960,421 | 13 | 5,284,900 | 15 |
| 5060 | Service charges (Note 33) | 239,551 | 1 | 238,755 | - |
| 5080 | Loss of affiliated companies and joint ventures under the equity method (Note 19) | $ 49,755 | - | $ - | - |
| 5090 | Bad debt expense, commitment and guaranty reserve (Note 10, 15, 31 and 33) | 519,032 | 2 | 615,474 | 2 |
| 5190 | Cost of goods sold (Note 11 and 37) | 12,525,643 | 41 | 18,600,578 | 52 |
| 5230 | Operating expenses (Note 31 and 33) | 7,876,063 | 25 | 7,851,471 | 22 |
| 5250 | Losses from disposal of property or equipment | 20,876 | - | - | - |
| 5280 | Impairment (Note 20 and 33) | 605,359 | 2 | - | - |
| 5320 | Other expenses (Note 33) | 98,994 | - | 24,762 | - |
| 5XXX | Total expenses | 25,895,694 | 84 | 32,615,940 | 91 |
| 6100 | Net profit before taxation | 4,920,705 | 16 | 3,116,082 | 9 |
| 6200 | Income tax expenses (Note 4 and 34) | 871,997 | 3 | 535,258 | 2 |
| 6500 | Net income | 4,048,708 | 13 | 2,580,824 | 7 |
| | Other comprehensive profit or loss | | | | |
| | The items that are not re-classified as profit or loss | | | | |
| 6611 | Determined Benefit Plan Reevaluation (Note 4 and 31) | ( 51,956 ) | - | ( 155,059 ) | - |
| 6617 | Evaluation of the capital gain from equity instrument at fair value through comprehensive income statement as other comprehensive income | 221,007 | 1 | 791,341 | 2 |
| 6625 | The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss | $ 1,105 | - | $ 3,153 | - |
| 6649 | Income tax related to titles without reclassification (Notes 4 and 34) | 2,985 | - | 11,773 | - |
| 6610 | | 173,141 | 1 | 651,208 | 2 |
| | Items that may be re-classified subsequently under profit or loss | | | | |
| 6651 | Exchange differences from the translation of financial statements of foreign operations | ( 95,418 ) | ( 1 ) | ( 105,314 ) | - |
| 6659 | Capital gain of debts instrument at fair value through comprehensive income statement as other comprehensive income | 264,206 | 1 | 50,117 | - |
| 6689 | Income tax related to items possibly be reclassified | 3,151 | - | ( 3,150 ) | - |
| 6650 | | 171,939 | - | ( 58,347 ) | - |
| 6600 | Other comprehensive income (post-tax profit or loss) | 345,080 | 1 | 592,861 | 2 |
| 6700 | Total amount of comprehensive income of the current year | $ 4,393,788 | 14 | $ 3,173,685 | 9 |
| | Profit (loss) attributable to: | | | | |
| 6810 | Owners of parent | $ 942,047 | 3 | ( $ 729,764 ) | ( 2 ) |
| 6820 | Non-controlling interest | 3,106,661 | 10 | 3,310,588 | 9 |
| 6800 | | $ 4,048,708 | 13 | $ 2,580,824 | 7 |
| | The total comprehensive income belongs to | | | | |
| 6910 | Owners of parent | $ 1,004,138 | 3 | ( $ 273,437 ) | ( 1 ) |
| 6920 | Non-controlling interest | 3,389,650 | 11 | 3,447,122 | 10 |
| 6900 | | $ 4,393,788 | 14 | $ 3,173,685 | 9 |
| | Earnings (losses) per share (Note 35) | | | | |
| 7000 | Basic earnings per share (losses) | $ 0.73 | | ( $ 0.57 ) | |
| 7100 | Diluted earnings per share (losses) | $ 0.73 | | ( $ 0.57 ) | |

The notes attached shall constitute an integral part of this consolidated financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 15, 2021)

Chairman: Kuei-Hsien Wang Manager: Ming-Shang Chuang Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary

Consolidated Statements of Changes in Shareholders' Equity

January 1 to December 31, 2020 and 2020

Unit: NTD thousand

| | | Equity of the company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital stock | | Retained earnings | | | Other equity | | | | | |
| Code | | Common stock | Capital surplus | Legal reserve | Special reserve | Undistributed earnings | Exchange differences from the translation of financial statements of foreign operations | Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss | Treasury stock | Total | Non-controlling interest | Total equity |
| A1 | Balance as of January 1, 2019 | $ 15,224,105 | $ 1,694,875 | $ 718,272 | $ 1,956,409 | $ 4,231,450 | ( $ 54,591 ) | ( $ 129,103 ) | ( $ 1,227,909 ) | $ 22,413,508 | $ 35,867,280 | $ 58,280,788 |
| | The 2018 appropriation and distribution of earnings | | | | | | | | | | | |
| B1 | Legal reserve appropriated | - | - | 137,204 | - | ( 137,204 ) | - | - | - | - | - | - |
| B5 | Cash dividends | - | - | - | - | ( 152,241 ) | - | - | - | ( 152,241 ) | - | ( 152,241 ) |
| B9 | Stock dividends | 989,567 | - | - | - | ( 989,567 ) | - | - | - | - | - | - |
| B17 | Reversal of special reserve | - | - | - | ( 20,283 ) | 20,283 | - | - | - | - | - | - |
| D1 | Net income (loss) in 2019 | - | - | - | - | ( 729,764 ) | - | - | - | ( 729,764 ) | 3,310,588 | 2,580,824 |
| D3 | Other comprehensive net income in 2019 | - | - | - | - | ( 33,250 ) | ( 32,404 ) | 521,981 | - | 456,327 | 136,534 | 592,861 |
| D5 | Total comprehensive profit and loss in 2019 | - | - | - | - | ( 763,014 ) | ( 32,404 ) | 521,981 | - | ( 273,437 ) | 3,447,122 | 3,173,685 |
| M1 | Dividends distributed to the subsidiaries adjusted to the additional paid-in capital | - | 15,933 | - | - | - | - | - | - | 15,933 | 15,146 | 31,079 |
| Q1 | Equity instrument at fair value through other comprehensive income statement | - | - | - | - | 10,862 | - | ( 10,862 ) | - | - | - | - |
| O1 | Increase/ decrease in Non-controlling interest (Note 32) | - | - | - | - | - | - | - | - | - | ( 730,905 ) | ( 730,905 ) |
| Z1 | Balance as of December 31, 2019 | 16,213,672 | 1,710,808 | 855,476 | 1,936,126 | 2,220,569 | ( 86,995 ) | 382,016 | ( 1,227,909 ) | 22,003,763 | 38,598,643 | 60,602,406 |
| | The 2019 appropriation and distribution of earnings | | | | | | | | | | | |
| B1 | Legal reserve appropriated | - | - | - | - | - | - | - | - | - | - | - |
| B3 | Special reserve appropriated | - | - | - | 4,696 | ( 4,696 ) | - | - | - | - | - | - |
| C7 | Changes of the associates and joint ventures recognized under the Equity Method | - | - | - | - | 452 | - | ( 1,208 ) | - | ( 756 ) | - | ( 756 ) |
| D1 | 109 Profit | - | - | - | - | 942,047 | - | - | - | 942,047 | 3,106,661 | 4,048,708 |
| D3 | Other comprehensive net income in 2020 (after tax) | - | - | - | - | ( 15,146 ) | ( 29,246 ) | 106,483 | - | 62,091 | 282,989 | 345,080 |
| D5 | Total comprehensive profit and loss in 2020 | - | - | - | - | 926,901 | ( 29,246 ) | 106,483 | - | 1,004,138 | 3,389,650 | 4,393,788 |
| L1 | Repurchase of treasury stock | - | - | - | - | - | - | - | ( 1,745 ) | ( 1,745 ) | - | ( 1,745 ) |
| M5 | The differences between carrying amount and market price of acquisition or disposal of shares in subsidiaries (Note 36) | - | ( 6,270 ) | - | - | ( 47,133 ) | - | - | 92,852 | 39,449 | 131,778 | 171,227 |
| M7 | Changes in the ownership equity on a subsidiary | - | ( 41,007 ) | - | - | ( 5,832 ) | - | - | - | ( 46,839 ) | - | ( 46,839 ) |
| O1 | Increase/ decrease in Non-controlling interest (Note 32) | - | - | - | - | - | - | - | - | - | 1,282,070 | 1,282,070 |
| Q1 | Equity instrument at fair value through other comprehensive income statement | - | - | - | - | 35,329 | - | ( 35,329 ) | - | - | - | - |
| Z1 | Balance as of December 31, 2020 | $ 16,213,672 | $ 1,663,531 | $ 855,476 | $ 1,940,822 | $ 3,125,590 | ( $ 116,241 ) | $ 451,962 | ( $ 1,136,802 ) | $ 22,998,010 | $ 43,402,141 | $ 66,400,151 |

The notes attached shall constitute an integral part of this consolidated financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 15, 2021)

Chairman: Kuei-Hsien Wang    Manager: Ming-Shang Chuang    Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary
Consolidated Statements of Cash Flow
January 1 to December 31, 2020 and 2020

Unit: NTD thousand

| Code | | 2020 | 2019 |
|---|---|---|---|
| | Cash flow from operating activities | | |
| A00010 | Income before tax from continuing operations | $ 4,920,705 | $ 3,116,082 |
| | Profits and loss | | |
| A20100 | Depreciation expenses | 1,255,337 | 1,237,905 |
| A20200 | Amortization expenses | 59,138 | 52,488 |
| A20300 | Expected credit impairment loss | 441,393 | 604,611 |
| A20400 | Gain (loss) on financial assets and liabilities at fair value through profit and loss | ( 46,575 ) | ( 717,379 ) |
| A20900 | Interest expenses | 3,960,421 | 5,284,900 |
| A21200 | Interest revenue | ( 12,069,760 ) | ( 13,455,005 ) |
| A21300 | Dividend income | ( 149,450 ) | ( 133,539 ) |
| A21800 | Net change in other provisions for liabilities | 1,364 | ( 12,000 ) |
| A22300 | Loss (gain) of affiliated companies and joint ventures under the equity method | 49,755 | ( 13,998 ) |
| A22500 | Loss (gain) on disposal and scrapping of property, plant and equipment | 20,876 | ( 447 ) |
| A22700 | Capital gain from disposition of investment property | ( 2,863,592 ) | - |
| A23100 | Capital gain of instrument investments measured at fair value through other comprehensive income | ( 84,263 ) | ( 7,606 ) |
| A23700 | Loss in impairment of non-financial assets | 605,359 | - |
| A24100 | Unrealized foreign currency exchange loss | 1,319,878 | 524,497 |
| A29900 | Termination of lease profits | ( 1,184 ) | ( 1,130 ) |
| | Net change in operating assets and liabilities | | |
| A91110 | Due from Central Bank and lend to Banks | ( 1,452,847 ) | 132,740 |
| A91120 | Financial assets at fair value through profit and loss | ( 5,425,284 ) | 3,868,985 |
| A91190 | Accounts receivable | ( 145,945 ) | 683,555 |
| A91250 | Inventory | 392,670 | 1,147,550 |
| A91260 | Prepayments | 85,810 | 72,736 |
| A91280 | Other current assets | 14,301 | ( 7,804 ) |
| A91290 | Discounts and loans | ( 21,387,413 ) | 16,703,241 |
| A91320 | Other financial assets | 740 | 837 |
| A92110 | Bills and bonds sold under repurchase agreements | ( 8,068,948 ) | 464,558 |
| A92120 | Financial liabilities at fair value through profit and loss | ( 295,887 ) | ( 779,460 ) |
| A92150 | Due to Central Bank and other banks | 510,278 | 3,148,308 |
| A92160 | Payables | 1,035,429 | ( 6,740,475 ) |
| A92280 | Other current liabilities | 401,113 | ( 21,730 ) |
| A92290 | Customer deposits and remittances | 53,153,436 | ( 4,685,651 ) |
| A92330 | Other financial liabilities | 107,246 | ( 2,127 ) |
| A92300 | Increase in liability reserve | 64,908 | - |
| A92310 | Employee benefit liabilities reserve | ( 78,578 ) | ( 154,206 ) |
| A33000 | Cash inflow from operating activities | 16,330,431 | 10,310,436 |
| A33100 | Interest received | 12,437,273 | 13,813,182 |
| A33200 | Dividends received | 167,891 | 212,971 |
| A33300 | Interest payment | ( 4,099,602 ) | ( 5,373,790 ) |
| A33500 | Income tax payment | ( 1,088,066 ) | ( 949,472 ) |
| AAAA | Net cash inflow from operating activities | 23,747,927 | 18,013,327 |
| | Cash flow from investing activities | | |
| B00010 | Acquisition of financial assets at fair value through other comprehensive profit or loss | ( 15,564,275 ) | ( 7,773,132 ) |
| B00020 | Disposal of financial assets at fair value through other comprehensive profit or loss | 6,608,047 | 4,856,999 |
| B00040 | Financial assets acquired on the basis of cost after amortization | ( 793,961,984 ) | ( 753,231,971 ) |
| B00060 | Held-to-maturity financial assets based on cost after amortization | 787,997,560 | 744,915,247 |
| B01800 | Acquisition of investment under the equity method | - | ( 1,386 ) |
| B02700 | Acquisition of property, plant and equipment | ( 2,466,991 ) | ( 2,170,807 ) |
| B02800 | Disposal of property, plant and equipment | 29,358 | 32,572 |
| B03700 | Increase in refundable deposits | ( 500,197 ) | ( 26,854 ) |
| B04500 | Acquisition of Intangible assets | ( 110,317 ) | ( 41,520 ) |
| B05400 | Acquisition of investment property | ( 264,388 ) | ( 136,785 ) |
| B05500 | Disposition of investment property | 3,668,277 | - |
| B06800 | Decrease (increase) in other assets | ( 314,110 ) | 15,788 |
| B09900 | Decrease (increase) in restricted assets | ( 51,389 ) | 62,422 |
| BBBB | Net cash outflow from investing activities | ( 14,930,409 ) | ( 13,499,427 ) |
| | Net cash outflow from financing activities | | |
| C00100 | Increase (decrease) in short-term loans | 553,571 | ( 451,420 ) |
| C00500 | Increase in short-term notes payable | 544,950 | 684,099 |

(Continued on next page)

(Continued from previous page)

| Code | | 2020 | 2019 |
|---|---|---|---|
| C01500 | Repayment of financial bonds | ($ 2,500,000) | ($ 6,000,000) |
| C01600 | Proceeds from long-term loan | 7,838,828 | 6,390,000 |
| C01700 | Re-payments of long-term borrowings | ( 8,589,289) | ( 5,055,688) |
| C03000 | Increase in deposits received | - | 15,483 |
| C03100 | Decrease in guarantee deposits | ( 15,649) | - |
| C04020 | Payment of principal element of lease liabilities | ( 256,761) | ( 238,099) |
| C04500 | Cash dividend released | - | ( 121,162) |
| C04900 | Cost of treasury stock repurchase | ( 1,745) | - |
| C05500 | Proceeds from disposal of partial interest in a subsidiary | 171,227 | - |
| C05800 | Change in non-controlling interest | 1,235,231 | ( 730,905) |
| CCCC | Net cash outflow from financing activities | ( 1,019,637) | ( 5,507,692) |
| DDDD | Impact of changes in exchange rate on cash and cash equivalents | ( 98,555) | ( 105,282) |
| EEEE | Increase (decrease) in current cash and cash equivalents | 7,699,326 | ( 1,099,074) |
| E00100 | Balance of cash and cash equivalents, beginning of period | 41,526,021 | 42,625,095 |
| E00200 | Balance of cash and cash equivalent, end of period | $ 49,225,347 | $ 41,526,021 |

Ending cash and cash equivalents adjustment

| Code | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| E00210 | Cash and cash equivalents on the balance sheet | $ 14,685,747 | $ 14,544,223 |
| E00220 | The "Due from Central Bank and Banks" in compliance with the definition of cash and cash equivalents under IAS 7 | 21,766,479 | 16,725,082 |
| E00230 | The "bonds and securities sold under repurchase agreements" that meet the definitions of cash and cash equivalents under IAS 7 | 12,773,121 | 10,256,716 |
| E00200 | Balance of cash and cash equivalent, end of period | $ 49,225,347 | $ 41,526,021 |

The notes attached shall constitute an integral part of this consolidated financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 15, 2021)

Chairman: Kuei-Hsien Wang Manager: Ming-Shang Chuang Accounting Supervisor: Kuo Hua Lin

# Notes to consolidated financial statement

January 1 to December 31, 2020 and 2020
(In Thousands of New Taiwan Dollars, Unless Otherwise Noted)

1. Company Profile
   (1) China Man-made Fiber Corporation (hereinafter referred to as the Company or CMFC) was founded on May 11, 1955 in accordance with the Company Act and other related regulations. The Company was approved to be traded on the TWSE on December 2, 1963. Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2019 is NT$16,213,672 thousand.
   (2) CMFC's main businesses are:
      1. Manufacturing, processing and buying and selling of man-made fiber, cellophane, polyamine fiber, polyester fiber, chemicals and the raw materials.
      2. Development, manufacturing and buying and selling of machinery used for the above products.
      3. Manufacturing and buying and selling of ethylene glycol, ethylene oxide, nonylphenol, ethylene, liquefied petroleum gas and the related petrochemical industry products.
      4. Lease and sale of national housing and commercial buildings constructed by commissioned contractors;
      5. Distribution, sorting and storage of various products.
      6. Management of supermarkets, trading of fresh foods, vegetables, fish, dried merchandise and various seasonings;
      7. Manufacturing and sales of steam and industrial and commercial electricity by cogeneration (electricity shall not be sold to energy users).
      8. Agency, distribution and contract bidding for installation of cogeneration and pollution control equipment.
      9. Manufacturing and sales of oxygen, liquid oxygen, nitrogen, liquid nitrogen, air argon, liquid argon, carbon dioxide and compressed air.
      10. Gas station.
   (3) The consolidated financial statements are presented in the Company’s functional currency – New Taiwan Dollar.
2. Financial reporting date and procedures
   The Board of Directors approved the consolidated financial statements for publication on March 15, 2021.
3. Application of new and revised standards and interpretation
   (1) The Company has applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (abbreviated collectively as “IFRSs”) endorsed and published by the Financial Supervisory Commission (abbreviated as “the FSC” in the following context) for the first time .

      Other than the explanations below, it is applicable for the amended IFRSs recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) and promulgated to take effect, which will not cause major changes in the consolidated company’s accounting policy.
      1. Amendment to “Definition of a business” in IFRS 3

         This amendment is applicable for the consolidated company’s transactions taking place after January 1, 2020. This amendment regulates that the input and major processes should be at least included. Both jointly render major contribution on generating output capacity. Determine if “the acquisition process” is major will depend on whether there is output on the day, which may give rise to different determination elements. In addition, a concentration test was added to evaluate whether activities and asset portfolios obtained are in line with a simplified way of business. It is available for use at the discretion of enterprises.
      2. Amendments to IAS 1 and IAS 8 “Definition of Materiality”

         The amendment shall be applicable for the Company beginning January 1, 2020. The threshold of materiality has been changed to “reasonably expected to affect users.” The disclosure of individual financial statements has been adjusted, and insignificant information that may obscure major information has been deleted.
      3. IFRS 16 amended “COVID-19 related rental reductions.”

The consolidated company has selected practical expedients to which the amendment is applicable to conduct a directly COVID-19 related rental negotiation with the lessor. See Note 4 for related accounting policies. Before the amendment shall be deemed applicable, the consolidated company should determine if the above-mentioned rental negotiation is applicable for the rental modification requirements.

The amendment shall be applicable to the Company beginning January 1, 2020. Since the above-mentioned negotiation only affected 2020. The retrospective application of the revision shall not affect the retained earnings on January 1, 2020.

(2) The Applicable IFRS endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC") in 110

| The new / amended / revised standards or interpretation | Effective Date per IASB |
|---|---|
| The IFRS 4 amended "Extension of temporary exemption applicable for IFRS 9" shall be effective | beginning the date of release. |
| IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 amended "Change in interest rate indicators-second stage." | Effective beginning the annual reporting period commenced after January 1, 2021. |

As of the release date of the consolidated financial report, the consolidated company continues to evaluate the impact on the financial position and performance from the abovementioned standards and interpretations, and the relevant impacts will be disclosed when the evaluation is completed.

(3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

| The new / amended / revised standards or interpretation | IASB publication effective date (Note 1) |
|---|---|
| "2018 – 2020 annual improvement" | January 1, 2022 (Note 2) |
| IFRS 3 amended "Updated index of conceptual framework." | January 1, 2022 (Note 3) |
| Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates". | Undefined |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendment to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2023 |
| IAS 1 amended "Disclosure of accounting policies." | January 1, 2023 (Note 6) |
| IAS 8 amended "Definition of accounting estimations." | January 1, 2023 (Note 7) |
| IAS 16 amended "Real estate and plants and equipment: reaching the price before the scheduled use status." | January 1, 2022 (Note 4) |
| IAS 37 amended "Onerous contracts-cost for contract fulfillment." | January 1, 2022 (Note 5) |

Note 1: Unless otherwise stated, the aforementioned new / revised / amended standards or interpretations become effective in the year after the respective date stated.

Note 2: IFRS 9 amended is applicable for financial liability exchange or clause modifications during the annual report period after January 1, 2022; IAS 41 amended "Agriculture" is applicable for the fair value measurement commenced during the annual reporting period after January 1, 2022; IFRS 1 The IFRSs amended for the first time is applicable for the annual reporting period after January 1, 2022.

Note 3: This amendment is applicable for enterprise mergers whose acquisition date is after January 1, 2022 during the annual reporting period.

Note 4: This amendment is applicable for plants, real estate, and equipment whose venue and status necessarily reaching the management level's expected operational methods only after January 1, 2021.

Note 5: This amendment is applicable for contracts whose obligations have not yet been fulfilled on January 1, 2022.

Note 6: This amendment is applicable for annual reporting period extension commenced after January 1, 2023.

Note 7: This amendment is applicable for changes in accounting estimation and accounting policy occurring during the annual reporting period after January 1, 2023.

IAS 1 amended "Disclosure of accounting policies."

The amendment stipulates that the consolidated company decide major accounting policy information to be disclosed in accordance with major definitions. If the accounting policy information can be reasonably expected to affect the main users of financial statements for general purpose who use the said financial statements as the basis for making decisions. Amendment and Clarification:

- Policy accounting information not related to major transactions or other matters or situations, the said information is considered not major. If that is the case, the consolidated company needs not disclose such information.
- The consolidated company may determine related accounting policy information as major due to the nature of transactions or other matters or situations. The same shall apply even if the amount is insignificant.
- All accounting policy information not related to major transactions, other matters, or situations is considered major.

In addition, the amendment also cites examples to explain if the accounting policy information is related to major transactions or others matters or situations and that the following situations occur, the said information may be considered major:

1. The consolidated company has changed its accounting policy during the reporting period, and the change will lead to major changes in information in the financial statement.
2. The consolidated company shall select a suitable accounting policy among the options allowed in the standards.
3. Due to a lack of regulations in the specific standards, the consolidated company shall establish accounting policies in accordance with IAS8 "Accounting Policy, Accounting Estimated Changes and Errors."
4. The consolidated company discloses its need for relevant accounting policies to make major judgements and assumptions; or
5. involves complex accounting disposal regulations and financial statement users' dependence on information on the said information to understand major transactions, or other matters or situations.

As of the release date of the consolidated financial report, the consolidated company continues to evaluate the impact on the financial position and performance from the other standards and interpretations, and the relevant impacts will be disclosed when the evaluation is completed.

4. Summary of important accounting policies

(1) Compliance Statement

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs recognized by and declared effective by the FSC.

(2) Basis of preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this consolidated financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).

2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

(3) Current and non-current assets and liabilities

Current assets including:

1. Assets held mainly for trading purpose;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. The liabilities to be liquidated upon due within 12 months after the balance sheet date (those with long-term refinancing or payment term rearrangement completed from the balance sheet date to the financial reports approved and published date are also classified as current liabilities), and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date. Where the liabilities might be paid off at the discretion of the other party through the tools of the issuance equity, the classification would remain unaffected.

However, CMFC is engaged in construction projects through Taichung Commercial Bank and Taichung Bank Leasing, and the business cycle is longer than one year. Therefore, the assets and liabilities related to the business adopt the business cycle as the standard to be classified as current or non-current.

(4) Basis of consolidation

This consolidated financial statement contains the information of the financial statements of the Company and its controlled entities (subsidiaries).

The consolidated income statement includes the results of a subsidiary up to the date of disposal.

The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the consolidated company.

The transactions, account balances, income, expenses and losses among subsidiaries are written-off at the time of consolidation.

The non-controlling interests of the subsidiaries are expressed separately from the interests of the owners of the Company.

<u>The comprehensive income was proportioned to the non-controlling interest.</u>

The total comprehensive incomes of the subsidiaries were non-controlling interest attributed to the Company's owners and the non-controlling interest, to become the balance of loss even as the non-controlling interest.

<u>Changes in the ownership equity on a subsidiary</u>

When the changes of interest of the subsidiaries' ownership by the Consolidated Company do not lead to the loss of control, it is disposed of as interest transactions. The book value of the Consolidated Company and non-controlling interest has been adjusted to reflect the changes of the relative interest of subsidiaries. The differential between the adjustment amount of non-controlling interest and the fair value of consideration received is directly recognized as interest and belongs to the owner of the Company.

When the consolidated company loses its control of the subsidiary, the profit or loss from the disposal is the difference between the following two items: (1) The fair value of the consideration received and the total remaining investment at fair value of the former subsidiary at the date of control loss, and (2) The assets (including goodwill) and liabilities and the total carrying amount of the non-controlling interest at the date of control loss of the former subsidiary. With respect to all amounts related to the subsidiary recognized by the consolidated company in other comprehensive profit loss, the accounting treatment is the same basis on which the consolidated company directly disposes of assets or liabilities.

The fair value of the remaining investment to a former subsidiary at the date of control loss is the amount of investment in an associate company and joint venture on initial recognition.

Please refer to Note 18 for the details, shareholding ratio, and business operation of the subsidiaries.

(5) Foreign Currency

When preparing the financial statements of each business entity of the consolidated company, the transactions in currencies other than the functional currency (the currency of the primary economic environment in which the entity operates) of the respective business entity (foreign currency) should be translated into the functional currency in accordance with the exchange rate on the transaction day.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. Non-monetary items carried at fair value should be reported at the rate that existed when the fair values were determined. The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Exchange differences arising when monetary items are settled or when monetary items are translated at different rates are reported in profit or loss in the period, with the following exceptions.

With respect to the monetary items receivable or payable of foreign operations, the settlement is currently neither planned for foreseeable in the future (thus forming part of the reporting entity's net investment in a foreign operation). The exchange differences originally are recognized as other comprehensive income, and the disposal of net investment is re-classified from equity to income.

The exchange difference arising from the non-monetary assets or liabilities (such as, equity instruments) in foreign currency measured at fair value that are translated in accordance with the spot exchange rate at the balance sheet date is booked as a profit or loss. However, the exchange difference arising from the changes in fair value recognized as other comprehensive profit or loss should be booked in the “Other comprehensive profit or loss.”

When preparing the consolidated financial statements, the assets and liabilities of the consolidated company’s foreign operations should be translated into New Taiwan dollars in accordance with the exchange rate on the balance sheet date. Except for the translations at the exchange rate on the transaction date during a period which has sharp fluctuations, the other income and loss are translated at the the average exchange rate for the current period. The resulting exchange differences are recognized as other comprehensive income and are attributed to the owner of the Company and non-controlling interest.

(6) Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

For underwritten bonds and securities that are sold under RP and RS agreements, recognize interest expense and interest income on the accrual basis between the purchase and sale dates and agreed RP and RS date; also, recognize RP (Debt) and bonds and securities sold under resell agreements between the sale and purchase dates.

(7) Inventory

Inventories include raw materials, supplies, work-in-progress, products contracted to be processed, finished goods and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. Inventory cost is determined by the weighted-average method.

The construction inventories were stated at the cost invested actually. The cost for available-for-sale housing and land was amortized based on weighted-average building coverage method, and stated at the lower of cost or net realizable value at the end of period.

(8) Investments in the affiliated company

The term “associate” as set forth herein denotes an enterprise, which has significant effect upon the Consolidated Company, but is not a subsidiary or a joint venture.

The Consolidated Company’ adopts equity method for investment in associates. Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss by the consolidated company. Additionally, the change in the interests the Consolidated Company’ holds in the associates was recognized *pro rata* to the shareholding percentages.

When associates issue new shares, if the Consolidated Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates under the equity method and investment under equity method. If the Consolidated Company' did not subscribe to the new shares *pro rata* to the shareholding percentages and led to a decrease of the shareholding percentages subscribed to or obtained from the associate, nevertheless, the amount of other comprehensive income so recognized was reclassified *pro rata* to the decrease ratio in the associate. The accounting management was on the grounds same as the grounds the associate must comply with if it directly disposed assets or liabilities. If the aforementioned adjustment must be debited into capital reserve where the balance of capital reserve yielded by the investment in equity method, the difference was debited as retained earnings.

In the event that the Consolidated Company''s shares of loss in the associates equal to or exceed its equity in the associates (including the book value of investment in the associates in equity method and other long-term interest of the Consolidated Company' in the investment composition of the associates), the Consolidated Company' discontinued recognition of the further losses. The Consolidated Company' recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Consolidated Company' had made payment on behalf of the associate.

When assessing impairment, the consolidated company has the overall book value (including goodwill) of the investment deemed as a single asset when comparing the recoverable amount and the book amount in order to conduct impairment testing. The recognized impairment loss is an integral part of the book amount of the investment. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

Besides, all relevant amounts relevant to the associates recognized in other comprehensive income were managed on the accounting grounds same as the grounds which it should comply with if the associates directly disposed the relevant assets or liabilities.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the consolidated company and the affiliated company is recognized in the consolidated financial statement within the range that is irrelevant to the consolidated company's interest in the affiliated company.

(9) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Cost includes professional service fees and loan costs that qualify for capitalization. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

Proprietary land is not depreciated.

The depreciation of each material part of real estate, plants, and equipment should be appropriated independently in accordance with the useful year and a straight-line method. The Consolidated Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(10) Investment property

Investment property is the real property held for purpose of earning of rental income or appreciation or both. Investment property includes lands held at present without determination of future use.

Investment property is measured on the basis of initial cost (including transaction cost) and subsequent measurement shall be based on the subtraction of accumulated depreciations and accumulated impairment from cost.

The Consolidated Company has depreciation appropriated in accordance with the straight-line method

In removing investment property, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(11) Goodwill

Goodwill from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each cash-generating unit that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with allocated goodwill arisen from company combination in the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU, and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period. Subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

(12) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. de-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(13) The impairment of real estate, plants and equipment, right-of-use assts, and intangible assets (except goodwill)

The consolidated company shall evaluate on each asset balance sheet date whether there are any signs showing possible impairment of real estate, plants and equipment, right-of-use assets, and intangible assets (except goodwill). If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(14) Available-for-sale noncurrent assets

Noncurrent assets are classified as noncurrent assets held-for-sale if their carrying amount is mainly recovered through a sale rather than through usage. The non-current assets complying with the classification must be available for immediate sale in the current state and the probability of the sale must be highly likely. When the appropriate level of the management commits to sell the plan asset and the sale is expected to be completed within one year from the date of classification, the probability of the sale is highly likely.

The classified held-for-sale non-current asset is measured at book amount or fair value net of the selling cost whichever is lower and stop the appropriate depreciation for such assets.

(15) Financial instruments

When the consolidated company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial Assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting. A customary transaction refers to the purchase or sale of financial assets and the delivery period is within the period prescribed by the regulations or customary market practice.

(1) Classification of measurement

The financial assets held by the consolidated company are financial assets at fair value through income statements, financial assets on the basis of cost after amortization, investment of debt instruments at fair value through other comprehensive income statements, and equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profits or losses are financial assets that are mandatorily measured at fair value through profits or losses. Financial instruments designated at fair value through income statements included the investment of equity instruments not designated at fair value through other comprehensive income and those not conforming to the standard of debt instruments on the basis of cost after amortization or at fair value through other comprehensive income.

Through the measurement of profit and loss according to the fair value, the financial assets are measured according to the fair value. The remeasured dividends and interests generated from profit or loss shall be recognized as other income and interest income. The profit or loss remeasured is recognized as other profit and loss. Please refer to Note 41 for the determination of fair value.

B. Financial assets on the basis of cost after amortization

If the financial assets of the consolidated company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and accounts receivable on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

a. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.

b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

C. Debt instrument investments measured at fair value through other comprehensive income

if the investment of debt instruments by the consolidated company met both the two conditions below, classify as financial instruments at fair value through comprehensive income:

a. Financial assets held under the particular mode of operation and the purpose of holding being for collection of cash flow from contracts; and

b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Other investment of debt instruments at fair value through comprehensive income should be measured at fair value. Changes in the book value shall be recognized as income under the calculation of interest income under the effective interest rate method, and exchange gain and loss and impairment or reversal benefits shall be recognized as income. Other changes shall be recognized as other comprehensive income and reclassified as income at the disposition of investment.

D. Equity instrument investments measured at fair value through other comprehensive income

The consolidated company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the consolidated company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

(2) Impairment of financial assets

The consolidated company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of anticipated credit loss (including accounts receivable), the investment of debt instruments at fair value through other comprehensive income, and loss from receivable rents and impairment of contract assets.

Discounts and loans, accounts receivable and receivable rents shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

Further to the aforementioned evaluation, refer to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" for information on loan assets, and consider the financial position of the borrowers and any overdue accounts in principal or interest payments. In addition, evaluate the collaterals pledged for the security of the debts and the possibility of recovery of loan assets. As per the aforementioned requirements, non-performing assets shall be classified as loss, doubtful, substandard, special mentioned and normal by the status of the collaterals and the duration of delinquency. Appropriation of 100%, 50%, 10%, 2% and 1 % of the balances of the aforementioned loans as provision for loss shall be necessary. The aforementioned provision for loss shall be recognized in accordance with Letter Jin-Guan-Yin-Fa-Zi. No. 10010006830, which accounted for approximately 1% of the total loans. The appropriation for provision of property for loss shall be made at a ratio not falling below 1.5% as stated in Letter Jin-Guan-Yin-Guo-Zi. No. 10300329440, and appropriated at the higher amount of the aforementioned evaluation result and the ratio.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

(3) The de-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When financial assets measured at amortized cost are derecognized, the carrying amounts and collected considerations plus the difference between the sums of any cumulative gains or losses already recognized as other comprehensive income will be recognized as profit or loss. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Equity instruments

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial Liabilities

(1) Subsequent measurement

All financial assets shall be measured under the effective interest rate method on the cost after amortization except under the following circumstances:

A. Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss includes held-for-sale.

Financial liabilities measured at fair value through profit or loss (FVTPL) are evaluated at fair value. Generated interest is recognized as financial costs. Other profits or losses generated by remeasurement are recognized as other gains and losses. Please refer to Note 41 for the determination of fair value.

B. Financial guarantee contract

The consolidated company issued financial guarantee contracts not at fair value through income statement with initial recognition to reflect provision for loss for anticipated credit impairment and the amount after amortization, whichever is higher.

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

4. Derivatives

The derivative instruments signed by the consolidated company include forward foreign exchange contracts, currency swap contracts, and convertible bond asset swap contracts that are used to manage the interest rate and exchange rate risk of the consolidated company.

Upon signing the contracts, derivatives are recognized at fair value initially and then subsequently measured at fair value on the balance sheet date. The profit or loss resulting from the subsequent measurement is directly booked under the profit or loss. Then, the timing of recognizing the designated and effective hedging derivatives depends on the nature of the hedging relationship. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

Derivatives embedded in the master contract of the assets within the scope of IFRS 9 shall be classified on the basis of the overall contracts of the financial assets. If the derivatives are not embedded in the master contract of the assets within the scope of IFRS 9 (such as embedded in financial liabilities master contracts), and the embedded derivatives meet the definition of derivatives and the risks and characteristics of which are not closely associated with the risks and characteristics of the master contract and the omnibus contracts are not measured at fair value through income statement, such derivatives shall be construed as a unitary derivative.

(16) Liability reserve

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

(17) Treasury stock

Treasury stock was stated at cost and shown as a deduction in shareholders¡¦ equity when the Company repurchased the stock, while it was stated at fair value if it was donation accepted by the Company.

The gains resulting from disposal of the treasury stock, if any, were higher than the book value, the difference thereof was stated under “capital surplus - treasury stock”. If gains were lower than the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, should be debited to retained earnings.

When the Company retired treasury stock, the treasury stock was written off, and against the “capital surplus – stock premium” and “capital stock” on a pro rata basis. When the book value of the treasury stock exceeded the total of the “capital stock” and “capital surplus-capital stock premium”, the difference was charged to capital surplus generated from the same class of treasury stock transactions and to retained earnings for any remaining amount. When the book value was lower than the total, the difference was credited to capital surplus arising from the same class of treasury stock transactions.

(18) Recognition of revenue

The consolidated company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

1. Sales of products

The revenue from product sales is recognized as revenue and accounts receivable by the consolidated company at the time when the customer have set the prices and the right-of-use and are responsible for the resales and bear the risks of obsolete products.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

2. Interest revenue

The interest income generated from financial assets is recognized when the economic benefit is likely to flow to the consolidated company and the amount of income can be reliably measured. Dividend revenues are recognized by the outstanding capital by the passage of time and the applicable effective interest rate on a accrual basis.

For a single or a group of similar financial asset that is reduced due to impairment losses, the subsequently recognized interest income is calculated in accordance with the interest rate that is used for the discounting of future cash flow when measuring the impairment loss.

3. Labor service provided

Labor service income is recognized at the time the service is provided.

Revenues yielded by the labor services rendered in accordance with the contract were recognized based on the progress degrees set forth under the contract.

4. Service fees and commission income

With respect to fee income and expense on the provision of loans or other services, the consolidated company allocates the transaction price to each contract obligation when customers contracts recognize the obligation and then recognizes the income upon fulfilling each performance obligation. Contracts of which the time interval between the services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

5. Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the preconditions that the economic benefits associated with the transaction system are likely to flow into the consolidated company and the amount of revenues can be measured reliably.

(19) Leases

The Consolidated Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The consolidated company is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Lease payments associated with finance leases include fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates, guaranteed residual value, exercise price of purchase options exercised with reasonable assurance, lease termination penalties reflected in the lease period, deducted payable lease incentives. Net investment in a lease is measured based on the sum of the present values of receivable lease payments and unguaranteed residual value plus initial direct costs and shall be expressed as finance lease receivables. Financial revenue is amortized into each accounting period to reflect the consolidated company's fixed rate of return available for each respective period from the outstanding net lease investment.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods. Initial direct costs generated in the acquisition of operating leases are added to the underlying asset carrying amount and recognized as expenses on a straight-line basis in lease periods.

2. The consolidated company is the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liability. Right-of-use assets are separately presented on the Consolidated Balance Sheet.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

Lease liabilities are measured initially based on the present value of lease payments (incl. fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortised cost using effective interest method and the interest expenses are amortized over the lease term. If changes in indices or rates utilized to determine lease payments lead to changes in future lease payments, the merged company should remeasure lease liabilities and adjust right-of-use assets correspondingly. However, if right-of-use asset carrying amounts have already dropped to zero, remaining remeasurement amounts are recognized as profit or loss. Lease liabilities are separately presented on the Consolidated Balance Sheet.

Changes in rent as stipulated in lease agreements not determined by indices or rates are recognized as expenses in the current period.

(20) Borrowing costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(21) Government grants

The government subsidies shall only be recognized, provided that it can be reasonably convicted the Company will comply with the supplementary terms for government subsidies and that the subsidies can be received.

If the government subsidies are used for compensating expenses or losses that have already incurred, or if the purpose is to provide the Company with immediate financial support and if there are no related costs in the future, they shall be recognized as profit or loss during the collection period.

(22) Employee welfare

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

The retirement benefit for the retirement plan is determined by the amount of the pension that should be paid during the period in which the employee provides the service, and is recognized as expenses for that period.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interest arising from the cost of services (including current service costs and net defined benefit liabilities) is recognized as an employee benefits expense when incurred. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

3. Employees preferential deposit benefit

The companies of the consolidated financial statements provide preferred deposit for the employees, including the offering of fixed amount preferred deposit at special rate for the employees currently in employment and for the payment to the retired employees and current employees at their retirement. The difference between the interest rate for the aforementioned preferred deposits and market rate shall fall within the scope of employee welfare.

According to the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the interest from the preferred deposit for employees prearranged after retirement in excess of the interest under regular market rate shall be subject to actuarial calculation at the time of the retirement of the employees pursuant to IAS 19, “Employee Benefits” as recognized by FSC. However, the parameters for the assumptions in the actuarial calculation may be regulated by the competent authority, comply accordingly, if applicable.

4. Other long-term employee benefits

The accounting of long-term employee benefit and benefit after retirement is the same but related value under reevaluation shall be recognized as income.

(23) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

The consolidated company shall determine the current income (loss) based on the regulations set by the respective tax income declaration jurisdictions. The payable (recoverable) income tax shall be calculated accordingly.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductable temporary differences and tax loss carryforwards.

The taxable temporary differences related to the investment in the equities of the subsidiaries, affiliates, and joint ventures are recognized as deferred income tax liabilities, except for those that the Consolidated Company can control the timing of reversing the temporary difference and the temporary difference is unlikely reversible in the foreseeable future. The deferred income tax asset arising from deductible temporary differences associated with such investment and equity is recognized as deferred income tax assets within the range of earnings that are with sufficient taxable income to realize temporary differences and are expected to be reversed in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current & deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity. If the current income tax or deferred income tax is resulting from a business consolidation, the income tax effect is included in the accounting process for consolidated company.

5. Major sources leading to major accounting judgments and uncertainties in estimate

When the accounting policies stated in Note IV adopted by the consolidated company, for the information that is hard to collect from other sources, the management should have the relevant judgments, estimates, and assumptions made in accordance with the historical experience and other relevant factors. Actual results may differ from the estimates.

The consolidated company included the economic impacts caused by the COVID-19 pandemic in major accounting estimation considerations. The management level will continue to examine the estimations and basic assumptions. If the correction of estimates affects only the current period, it is recognized upon amendment. If the amended estimate affects both current and future periods, it is recognized in the current and future periods.

Estimates and assumptions with regard to the main source of uncertainty

(1) Estimated impairment of financial assets

Estimated impairment of loans, discounts, bills purchased, receivables, debt instrument investments, and financial guarantee contracts is based on assumptions by the merged company with regard to default rate and expected loss ratio. Taking into account the consolidated company's past experience, current market situation and future prediction, the consolidated company shall prepare a pro forma report and select appropriate inputs for impairment. For adopted key assumptions and entered values please refer to Note 41 and 42. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

(2) Impairment of real property, plant and equipment

The evaluation of real-estate, plant, and equipment impairment is based on the recoverable amount of the said equipment (i.e. the fair value of the said assets deducted by sales costs and higher value of use). The market price or changes in future cash flow will affect the recoverable amount of the said assets, which may result in the Company's need to recognize impairment costs or reverse recognized impairment losses.

6. Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash on hand | $ 4,417,980 | $ 4,556,792 |
| Bank deposits | 2,972,492 | 3,181,118 |
| Notes and checks for clearing | 1,249,821 | 1,007,649 |
| Due to Central Bank and other banks | 6,045,454 | 5,798,664 |
| | $ 14,685,747 | $ 14,544,223 |

(1) With regard to the aforementioned cash and cash equivalent balances, it has been determined based on past experience and foresight that no loss allowances are appropriated for expected credit losses over 12 months as of December 31, 2020 and 2019.

(2) For cash and cash equivalent balances on the Consolidated Statement of Cash Flows and relevant items on the consolidated balance sheet as of December 31, 2020 and 2019, please refer to the Consolidated Statement of Cash Flows.

(3) The amounts of certificate of deposit at other banks from the consolidated company used as the operation bond of Taichung Commercial Bank Securities Brokerage as of December 31, 2020 and 2019 are both NT$200,000 thousand, and they are transferred to the refundable deposit, as described in Note 24.

7. Due from Central Bank and lend to Banks

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Reserve for deposits | | |
| Reserve for deposits – checking account | $ 19,301,038 | $ 14,879,013 |
| Reserve for deposits – demand account | 18,458,399 | 16,997,138 |
| Financial Information Service Co., Ltd. – liquidated account | 2,017,397 | 1,512,809 |
| Reserve for deposits in foreign currency | 73,057 | 60,000 |
| Call loans to banks | 461,327 | 368,014 |
| Reserve for trust funds compensation | 60,000 | 60,000 |
| | $ 40,371,218 | $ 33,876,974 |

(1) With regard to the aforementioned Due from the Central Bank & Call Loans to Banks, it has been determined based on past experience and foresight that no loss allowances are appropriated for expected credit losses over 12 months as of December 31, 2020 and 2019.

(2) The deposit reserve is the average balance of various deposits that are required to be deposited as reserve by Taichung Commercial Bank on a monthly basis, and it is deposited to the reserve account at the Central Bank in accordance with the required deposit reserve ratio. The demand account reserve can be used only for the monthly adjustment of the deposit reserve. The consolidated company paid the Central Bank's project financing deposit through the deposit reserve account B in the amount of NT$5,000,000,000 on December 31, 2020. See Note 38.

(3) The Reserve for trust funds compensation by Government bonds on the basis of cost after amortization on December 31, 2020 is stated at the par value of NTD 60,000 thousand. Please refer to Note 38 for details.

8. Financial instrument at fair value through profit and loss

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets at fair value through profit and loss | | |
| Commercial papers | $ 24,872,947 | $ 20,074,138 |
| Shares traded on the Taiwan Stock Exchange or OTC exchange | 862,470 | 914,420 |
| Shares traded on foreign exchange or OTC exchange | 88,533 | 98,199 |
| Non listed (OTC) domestic stock | 7,508 | - |

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| PEM Group Insurance policy assets | $ 799,269 | $ 1,029,839 |
| Beneficiary certificate | 920,885 | 801,720 |
| Corporate bond | 203,112 | 89,816 |
| Assets swap agreement | 3,048,884 | 1,812,530 |
| Foreign exchange contracts | 96,053 | 71,394 |

| | | |
|---|---|---|
| Forward contract | 168,822 | 82,809 |
| FX options contracts | 354,336 | 125,545 |
| NDF | - | 4,802 |
| Interest rate derivatives | 2,155 | - |
| | $ 31,424,974 | $ 25,105,212 |

| | | |
|---|---|---|
| Financial liabilities at fair value through profit and loss | | |
| Foreign exchange contracts | $ 369,085 | $ 88,092 |
| Forward contract | 66,415 | 27,168 |
| FX options contracts | 348,164 | 113,590 |
| NDF | - | 4,953 |
| Interest rate derivatives | 2,155 | - |
| | $ 785,819 | $ 233,803 |

(1) The consolidated company financial derivative contract related to a foreign exchange rate is a non-trading operation performed for the purpose of providing customers with a hedging tool for the foreign exchange position generated from import/export and foreign exchange and hedging the risk from business and meeting the need for foreign exchange funds.

(2) As of 2020 and December 31, 2019, the amounts (notional amounts) in the agreement of derivative financial instruments that have not matured are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Contract amount | Interest Rate Collars | Contract amount | Interest Rate Collars |
| Assets swap agreement | $ 3,039,300 | 0.90%~ 3.50% | $ 1,811,600 | 0.90%~ 1.35% |
| Foreign exchange contracts | 9,459,647 | - | 3,916,766 | - |
| Forward contract | 7,224,302 | - | 5,500,507 | - |
| FX options contracts | 23,537,713 | - | 12,750,872 | - |
| NDF | - | - | 183,000 | - |
| Interest rate derivatives contract | 109,938 | 5.25%~ 6.20% | - | - |

9. Bonds and securities sold under repurchase agreements

The consolidated company's bills and bonds traded with resell terms in 2020 and on December 31, 2019 accounted for NT$12,773,121,000 and NT$10,256,716,000 respectively. The interest rates were between 0.21%–0.25% and 0.54%–0.56%. The agreed resell prices after the period accounted for NT$12,774,072,000 and NT$10,258,145,000 respectively.

10. Notes receivable, accounts receivable, and other accounts receivable

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Notes receivable | | |
| Notes receivable - Taichung Commercial Bank | $ 4,694,417 | $ 4,586,001 |
| Notes receivable | 69,005 | 100,471 |
| Less: Unrealized gain on interest | ( 220,748 ) | ( 198,902 ) |
| Less: Loss allowance - Taichung Commercial Bank | ( 61,100 ) | ( 55,774 ) |
| | $ 4,481,574 | $ 4,431,796 |

Please refer to Note 38 for the status on notes receivable as short-term loan guarantee.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | | |
| Accounts receivable | $ 1,532,327 | $ 2,453,033 |
| Accounts receivable - Taichung Commercial Bank | 742,251 | 785,636 |
| Rent receivables | 3,461,743 | 3,358,947 |
| Interest receivable - Banking industry | 1,049,138 | 1,216,731 |

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Receivable transfers | 991,861 | 756,458 |
| Receivable factoring | 154,805 | 649,997 |
| Less: Unrealized interest income | ( 501,889 ) | ( 459,883 ) |
| Less: Allowance for losses | ( 150,410 ) | ( 234,602 ) |
| Less: Loss allowance - Taichung Commercial Bank | ( 126,179 ) | ( 109,180 ) |
| | $ 7,153,647 | $ 8,417,137 |
| Other receivables | | |
| Receivable spot exchange settlement payment | $ 1,082,521 | $ 870,200 |
| Acceptances receivable | 443,447 | 505,650 |
| Receivable proceeds for delivery of securities | 1,324,586 | 686,758 |
| Others | 806,435 | 453,044 |
| | 3,656,989 | 2,515,652 |
| Less: Allowance for losses | ( 1,932 ) | ( 1,932 ) |
| Less: Loss allowance - Taichung Commercial Bank | ( 135,242 ) | ( 129,343 ) |
| | $ 3,519,815 | $ 2,384,377 |

(1) Accounts receivable

The consolidated company's average credit period for product sales was 30–90 days. Interests for accounts receivables were not calculated. If the credit term of 30 days is exceeded, the interest rate of 3% per annum will be calculated for the remaining balance of some customers whose payment has not been rendered. The consolidated company only conducts transactions with the parties which have passed the internal credit check, and if necessary, shipment may be stopped and guarantee notes may be needed to mitigate the potential risk of financial losses caused by default. The consolidated company will use other publicly available financial information and historical transaction records to rate major customers. The consolidated company continuously monitors the credit risk exposure and the credit rating of the counterparty, and the total transaction amount is distributed to various customers with qualifying credit ratings. Every year, the management reviews and approves, based on their level of authorization, the credit limit of counterparties to manage the credit risk exposure.

In order to mitigate credit risk, the management of the consolidated company assigns dedicated personnel responsible for the decision on credit line, credit approval and other monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the consolidated company's credit risk is significantly reduced.

Except for Taichung Commercial Bank and its subsidiary, the consolidated company adopts the simplified approach of the IFRS 9 to recognize the loss allowance of receivables based on the expected credit loss of the duration. The full-lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. Due to the historical experience of credit losses of the consolidated companies, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of receivables.

If there is evidence that the counterparty is facing serious financial difficulties and the consolidated company cannot reasonably expect the recoverable amount back, the consolidated company will directly write off the relevant accounts receivable, but will continue its recourses, and the amount recovered will be recognized in profit or loss.

The consolidated company (excluding Taichung Commercial Bank and its subsidiary) measures the notes receivable and the loss allowance of accounts in accordance with the provision matrix:

December 31, 2020

| | Not overdue | Overdue 1 to 30 days | Overdue 31 to 60 days | Overdue 61 to 120 days | Overdue over 120 days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0%~7% | 13%~50% | 50%~75% | 75%~100% | 100% | |
| Total Book Value | $1,389,274 | $168,535 | $ 32,824 | $ - | $ 10,699 | $1,601,332 |
| Allowance for loss (expected credit loss of the given duration) | ( 97,076 ) | ( 22,943 ) | ( 19,692 ) | - | ( 10,699 ) | ( 150,410 ) |
| Cost after amortization | $ 1,292,198 | $145,592 | $ 13,132 | $ - | $ - | $1,450,922 |

December 31, 2019

| | Not overdue | Overdue 1 to 30 days | Overdue 31 to 60 days | Overdue 61 to 120 days | Overdue over 120 days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0%~7% | 13%~50% | 50%~75% | 75%~100% | 100% | |
| Total Book Value | $1,926,882 | $476,222 | $139,877 | $ - | $ 10,523 | $2,553,504 |
| Allowance for loss (expected credit loss of the given duration) | ( 73,931 ) | ( 78,245) | ( 71,903 ) | - | ( 10,523 ) | ( 234,602 ) |
| Cost after amortization | $ 1,852,951 | $397,977 | $ 67,974 | $ - | $ - | $2,318,902 |

Changed information on receivables allowance loss (including bad debt expense withdrawal and deposit allowance loss) is as follows:

| | 2020 | 2019 |
|---|---|---|
| Balance, beginning of year | $ 536,195 | $ 546,536 |
| Add: Recover the bad debts that have been written off | 16,115 | 16,492 |
| Added: provisioned bad debt expense withdrawal and deposit impairment loss. | 147,059 | 121,546 |
| Less: actual write-off | ( 133,775 ) | ( 196,126 ) |
| Reduced: Inversed expected credit impairment loss | ( 84,343 ) | ( 4,412 ) |
| Reclassification | - | 56,624 |
| Foreign currency translation differences | ( 1,737 ) | ( 4,465 ) |
| Balance, end of year | $ 479,514 | $ 536,195 |

The loss allowance of the above-mentioned receivables include notes receivable, accounts receivable, other receivables and the loss allowance from non-loans transferred to collection.

(2) Changes in carrying amount of accounts receivable of Taichung Commercial Bank and its subsidiary:

2020

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Total |
|---|---|---|---|---|
| Balance as of January 1, 2020 | $ 62,904,165 | $ 557,317 | $ 315,071 | $ 63,776,553 |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 168,938 ) | 169,381 | ( 443 ) | - |
| Converted as financial assets with credit impairment | ( 60,834 ) | ( 135,950 ) | 196,784 | - |
| Converted as anticipated credit loss in 12 months | 8,573 | ( 8,352 ) | ( 221 ) | - |
| Initiated or procured receivables | 17,811,257 | 27,469 | 35,974 | 17,874,700 |
| Write-off bad debts | - | ( 430 ) | ( 133,345 ) | ( 133,775 ) |
| de-recognition | ( 7,174,494 ) | ( 237,307 ) | ( 128,195 ) | ( 7,539,996 ) |
| Foreign exchange settlement and other changes | 111,100 | ( 692 ) | 27,793 | 138,201 |
| Balance - ending | $ 73,430,829 | $ 371,436 | $ 313,418 | $ 74,115,683 |

2019

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Total |
|---|---|---|---|---|
| Balance as of January 1, 2019 | $ 59,094,832 | $ 226,460 | $ 314,656 | $ 59,635,948 |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 477,280 ) | 483,005 | ( 5,725 ) | - |
| Converted as financial assets with credit impairment | ( 73,185 ) | ( 35,874 ) | 109,059 | - |
| Converted as anticipated credit loss in 12 months | 22,944 | ( 9,661 ) | ( 13,283 ) | - |
| Initiated or procured receivables | 11,259,104 | 6,425 | 133,797 | 11,399,326 |
| Write-off bad debts | - | ( 20,242 ) | ( 175,884 ) | ( 196,126 ) |
| de-recognition | ( 6,473,610 ) | ( 95,016 ) | ( 71,408 ) | ( 6,640,034 ) |
| Foreign exchange settlement and other changes | ( 448,640 ) | 2,220 | 23,859 | ( 422,561 ) |
| Balance - ending | $ 62,904,165 | $ 557,317 | $ 315,071 | $ 63,776,553 |

The receivables of the Taichung Commercial Bank Co., Ltd. and its subsidiaries include: due from banks, due from CBC and lend to banks, bills & bonds purchased under resell agreements, bills receivable, credit card payments receivable, accounts receivable, bank acceptance bills, interest receivable, lease payments receivable, accounts receivable factoring, securities sold receivable, securities settlement receivable, other receivables, other financial assets-total (including non-loan listing collection), refundable deposits, etc.

(3) Statement of Changes in Loss Allowance for Accounts Receivable of Taichung Bank and its subsidiaries:

2020

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2020 | $ 95,880 | $ 11,625 | $165,224 | $272,729 | $ 23,828 | $296,557 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 1,842 ) | 2,120 | ( 278 ) | - | - | - |
| Converted as financial assets with credit impairment | ( 505 ) | ( 2,511 ) | 3,016 | - | - | - |
| Converted as anticipated credit loss in 12 months | 1,290 | ( 1,115 ) | ( 175 ) | - | - | - |
| Financial assets removed in current period | ( 65,036 ) | ( 4,856 ) | ( 38,360 ) | ( 108,252 ) | - | ( 108,252 ) |
| Procured or initiated new financial assets | 71,065 | 1,947 | 17,365 | 90,377 | - | 90,377 |
| Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - | 94,872 | 94,872 |
| Write-off bad debts | - | ( 430 ) | ( 47,750 ) | ( 48,180 ) | ( 85,595 ) | ( 133,775 ) |
| Recovered amount after write-off bad debts | - | - | - | - | 16,115 | 16,115 |
| Foreign exchange settlement and other changes | ( 9,540 ) | 2,419 | 75,269 | 68,148 | - | 68,148 |
| Balance - ending | $ 91,312 | $ 9,199 | $174,311 | $274,822 | $ 49,220 | $324,042 |

2019

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2019 | $ 87,567 | $ 5,695 | $151,315 | $244,577 | $ 57,500 | $302,077 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 6,905 ) | 7,332 | ( 427 ) | - | - | - |
| Converted as financial assets with credit impairment | ( 641 ) | ( 819 ) | 1,460 | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Converted as anticipated credit loss in 12 months | 6,542 | (1,335) | (5,207) | - | - | - |
| Financial assets removed in current period | (71,437) | (2,039) | 2,892 | (70,584) | - | (70,584) |
| Procured or initiated new financial assets | 84,315 | 776 | 80,009 | 165,100 | - | 165,100 |
| Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | 8,507 | 8,507 |
| Write-off bad debts | - | (20,242) | (117,213) | (137,455) | (58,671) | (196,126) |
| Recovered amount after write-off bad debts | - | - | - | - | 16,492 | 16,492 |
| Foreign exchange settlement and other changes | (3,561) | 22,257 | 52,395 | 71,091 | - | 71,091 |
| Balance - ending | $ 95,880 | $ 11,625 | $165,224 | $272,729 | $ 23,828 | $296,557 |

allowance loss for above-mentioned receivables includes allowance for bad debts for delinquent loans other than loans transferred from loans. Please refer to Note 24 for details.

11. Inventory

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Merchandise | $ 68,921 | $ 416,548 |
| Finished goods | 556,130 | 742,021 |
| Work in process | 54,455 | 92,277 |
| Raw materials | 391,089 | 214,869 |
| Supplies | 78,219 | 75,769 |
| | $ 1,148,814 | $ 1,541,484 |

(1) The inventories of finished goods included the finished goods, by-products, supplies in transit by the consolidated company, primarily the finished goods produced by Kaohsiung petrifaction plant, ethylene glycol, and the finished goods of the polyester plant, polyester silk, et al.
(2) The consolidated company’s inventory related costs of goods sold in 2020 and 2019 were NT$12,525,643,000 and 18,600,578,000 respectively. The sales costs included gains from price recovery of inventory amounting to NT$15,204,000 and NT$104,091,000 and included losses from work stop amounting to NT$1,010,746,000 and NT$660,388,000.
(3) As of 2020 and December 31, 2019, the allowance for reduction of inventory to market amounted to NT$318,671,000 and NT$360,125,000.

12. Prepayments

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Pre-paid expenses | $ 647,455 | $ 760,261 |
| Pre-paid material purchases | 56,569 | 87,029 |
| Tax credit | 155,508 | 111,101 |
| | $ 859,532 | $ 958,391 |

13. Available-for-sale noncurrent assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Land for sale | $ - | $ 769,610 |

(1) China Man-Made Fiber Corporation has approved a land sale plan as per board resolution in 2018 and is currently actively searching for buyers. The land in question has therefore been reclassified as a non-current asset held for sale.
(2) Upon remeasurement of the carrying amount and fair value less costs to sell of the disposal group held for sale, it has been determined that no impairment loss is present.
(3) On April 20, 2020, the Company board resolved to modify the plan to sell non-current assets to be sold. Solar power generation equipment will be constructed on the land. According to the evaluation

of the management level, the said land no longer meets the provisions for the category of assets to be sold since the said date. See Note 22.

(4) For the available-for-sale noncurrent assets furnished as the security for mortgage, please see Note 38.

14. Other current assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Restricted assets – bank deposits | $ 595,184 | $ 543,795 |
| Others | 5,035 | 19,336 |
| | $ 600,219 | $ 563,131 |

Restricted current assets are earmarked for Customs Office clearance procedures and pledged collateral for short-term loans – please refer to Note 38.

15. Discounting and advances - Net

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Bills negotiated and discounts | $ 293,388 | $ 393,291 |
| Overdraft | 1,310 | 1,404 |
| Secured overdraft | 30,988 | 38,166 |
| Accounts receivable financing | 51,149 | 51,595 |
| Securities receivable financing | 1,099,366 | 929,368 |
| Short-term loan | 39,175,727 | 39,586,875 |
| Short-term secured loans | 101,315,539 | 100,653,393 |
| Mid-term loans | 54,480,676 | 49,151,361 |
| Mid-term secured loans | 110,808,195 | 103,127,599 |
| Long-term loans | 6,842,847 | 5,210,470 |
| Long-term secured loans | 147,939,346 | 141,838,997 |
| Delinquent Accounts | 814,242 | 963,045 |
| | 462,852,773 | 441,945,564 |
| Add: Adjustment of premium/discount | 23,940 | 26,487 |
| Less: Allowance for losses | ( 6,335,391 ) | ( 6,573,717 ) |
| | $ 456,541,322 | $ 435,398,334 |

(1) As of December 31, 2020 and 2019, the balance of loans and other credits with frozen interest rates at Taichung Commercial Bank was NT$805,311 thousand and NT$949,601 thousand, respectively. The interest receivables not recorded were NT$18,132 thousand and NT$22,534 thousand, respectively.

(2) In 2020 and 2019, Taichung Commercial Bank did not have the cases of translation of creditor's rights without prosecution.

(3) The changes in the total book value of discounting and advances of Taichung Commercial Bank and its subsidiary are shown as follows:

2020

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Total |
|---|---|---|---|---|
| Balance as of January 1, 2020 | $415,543,744 | $16,873,865 | $ 9,554,442 | $441,972,051 |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 6,082,112 ) | 6,325,653 | ( 243,541 ) | - |
| Converted as financial assets with credit impairment | ( 691,922 ) | ( 1,670,809 ) | 2,362,731 | - |
| Converted as anticipated credit loss in 12 months | 3,710,454 | ( 3,688,229 ) | ( 22,225 ) | - |
| Initiated or procured discount and loans | 242,052,505 | 2,407,137 | 412,670 | 244,872,312 |
| Write-off bad debts | ( 86,432 ) | ( 119,711 ) | ( 882,681 ) | ( 1,088,824 ) |
| de-recognition | ( 200,050,154 ) | ( 5,008,302 ) | ( 2,839,452 ) | ( 207,897,908 ) |
| Foreign exchange settlement and other changes | ( 14,787,455 ) | ( 262,136 ) | 68,673 | ( 14,980,918 ) |
| Balance - ending | $439,608,628 | $14,857,468 | $ 8,410,617 | $462,876,713 |

2019

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Total |
|---|---|---|---|---|
| Balance as of January 1, 2019 | $435,868,501 | $15,341,731 | $ 7,916,421 | $459,126,653 |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 7,768,850 ) | 7,849,116 | ( 80,266 ) | - |
| Converted as financial assets with credit impairment | ( 3,018,334 ) | ( 1,694,994 ) | 4,713,328 | - |
| Converted as anticipated credit loss in 12 months | 2,487,600 | ( 2,417,603 ) | ( 69,997 ) | - |
| Initiated or procured discount and loans | 217,508,394 | 2,752,410 | 593,167 | 220,853,971 |
| Write-off bad debts | ( 41,246 ) | ( 366,663 ) | ( 927,477 ) | ( 1,335,386 ) |
| de-recognition | ( 210,078,061 ) | ( 4,281,192 ) | ( 2,954,801 ) | ( 217,314,054 ) |
| Foreign exchange settlement and other changes | ( 19,414,260 ) | ( 308,940 ) | 364,067 | ( 19,359,133 ) |
| Balance - ending | $415,543,744 | $16,873,865 | $ 9,554,442 | $441,972,051 |

(4) Changes in allowance loss of discounting and advances of Taichung Commercial Bank and its subsidiary:

2020

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2020 | $1,776,628 | $852,354 | $2,468,257 | $5,097,239 | $1,476,478 | $6,573,717 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 13,847 ) | 183,729 | ( 169,882 ) | - | - | - |
| Converted as financial assets with credit impairment | ( 4,145 ) | ( 91,716 ) | 95,861 | - | - | - |
| Converted as anticipated credit loss in 12 months | 148,413 | ( 145,767 ) | ( 2,646 ) | - | - | - |
| Financial assets removed in current period | ( 1,028,000 ) | ( 207,309 ) | ( 621,706 ) | ( 1,857,015 ) | - | ( 1,857,015 ) |
| Procured or initiated new financial assets | 1,120,880 | 160,030 | 199,554 | 1,480,464 | - | 1,480,464 |
| Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | $ - | $ - | $ - | $ - | $381,150 | $381,150 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Write-off bad debts | ( 245 ) | ( 20,452 ) | ( 432,530 ) | ( 453,227 ) | ( 635,597 ) | ( 1,088,824 ) |
| Recovered amount after write-off bad debts | - | - | - | - | 606,074 | 606,074 |
| Foreign exchange settlement and other changes | ( 274,379 ) | 194,957 | 319,247 | 239,825 | - | 239,825 |
| Balance - ending | $1,725,305 | $925,826 | $1,856,155 | $4,507,286 | $1,828,105 | $6,335,391 |

2019

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2019 | $ 1,768,334 | $661,840 | $ 2,035,208 | $ 4,465,382 | $ 2,066,719 | $ 6,532,101 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 20,881 ) | 31,563 | ( 10,682 ) | - | - | - |
| Converted as financial assets with credit impairment | ( 8,619 ) | ( 99,038 ) | 107,657 | - | - | - |
| Converted as anticipated credit loss in 12 months | 133,519 | ( 128,814 ) | ( 4,705 ) | - | - | - |
| Financial assets removed in current period | ( 1,053,833 ) | ( 155,288 ) | ( 632,674 ) | ( 1,841,795 ) | - | ( 1,841,795 ) |
| Procured or initiated new financial assets | 1,127,791 | 112,374 | 192,290 | 1,432,455 | - | 1,432,455 |
| Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - | ( 559,801 ) | ( 559,801 ) |
| Write-off bad debts | ( 118 ) | ( 50,704 ) | ( 370,099 ) | ( 420,921 ) | ( 914,465 ) | ( 1,335,386 ) |
| Recovered amount after write-off bad debts | - | - | - | - | 884,025 | 884,025 |
| Foreign exchange settlement and other changes | ( 169,565 ) | 480,421 | 1,151,262 | 1,462,118 | - | 1,462,118 |
| Balance - ending | $ 1,776,628 | $852,354 | $ 2,468,257 | $ 5,097,239 | $ 1,476,478 | $ 6,573,717 |

16. Financial assets at fair value through other comprehensive profit or loss

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Equity instrument investments measured at fair value through other comprehensive income | | |
| Equity investment | $ 6,190,174 | $ 4,696,243 |
| Debt instrument | 37,833,733 | 30,000,344 |
| | $ 44,023,907 | $ 34,696,587 |

(1) Equity instrument investments measured at fair value through other comprehensive income

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Domestic publicly listed, OTC and Emerging Stock Board companies | $ 4,640,069 | $ 3,319,533 |
| Non listed (OTC) domestic stock | 1,230,836 | 1,085,654 |

| | | |
|---|---|---|
| Overseas listed, OTC and non-listed companies | 319,269 | 291,056 |
| | $ 6,190,174 | $ 4,696,243 |

1. The consolidated company invested in the aforementioned common shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the consolidated company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.
2. For circumstances of equity instruments posting for mortgaging guarantee under other general loss or gain measured by fair value, please refer to Note 38.

(2) Debt instrument investments measured at fair value through other comprehensive income

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Corporate bond | $ 26,959,132 | $ 21,503,613 |
| Government bonds | 5,379,466 | 5,997,423 |
| Overseas bond | 3,486,270 | 799,314 |
| Financial bonds | 2,008,865 | 1,699,994 |
| | $ 37,833,733 | $ 30,000,344 |

Foreign bonds are valued in foreign currencies as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| USD | $ 50,000 | $ 26,000 |
| RMB | 445,000 | - |
| AUD | 6,000 | - |

1. The consolidated company assessed the expected credit loss of debt instruments measured at fair value through other comprehensive income in 2020 and 2019 and recognized a reversal of asset impairment (loss) at (NT$5,318) thousand and NT$113 thousand.
2. With respect to the credit risk management of debt instruments measured at fair value through comprehensive income and the assessment of impairment, please refer to Note 42.

17. Investment of debt instruments on the basis of cost after amortization

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Overseas bond | $ 24,794,803 | $ 23,806,064 |
| Government bonds | 12,654,717 | 14,246,649 |
| Negotiable certificate of deposits issued by Central Bank | 64,970,000 | 59,535,000 |
| Corporate bond | 11,159,474 | 11,413,931 |
| Debt instruments | - | 9,291 |
| | 113,578,994 | 109,010,935 |
| Less: Allowance for losses | ( 34,140 ) | ( 41,662 ) |
| Less: Deduction of provision for trust compensation reserve and refundable security deposits. | ( 920,400 ) | ( 844,900 ) |
| | $ 112,624,454 | $ 108,124,373 |

(1) Foreign bonds are valued in foreign currencies as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| USD | $ 661,159 | $ 638,859 |
| RMB | 890,000 | 550,000 |
| AUD | 66,000 | 61,000 |
| ZAR | 490,000 | 450,000 |

(2) The face value of government bonds/foreign bonds measured at amortized cost provided by the merged company as repurchase agreement terms amounted to NT$ 1,200,000 thousand and NT$ 1,123,960 thousand (US$ 40,000 thousand), and NT$ 2,000,000 thousand and NT$ 8,850,000 thousand (US$ 295,000 thousand), in December 31, 2020 and 2019, respectively. For more information on carrying amounts, please refer to Note 42.
(3) The consolidated company recognized asset impairment (loss) reversal benefits in the amounts of NT$(2,750),000 and NT$6,338,000 in 2020 and 2019 after evaluating the liability tool expected credit loss cost measurement after amortization.
(4) With respect to the credit risk management of debt instruments carried at cost after amortization and the assessment of impairment, please refer to Note 42.

18. Subsidiaries
(1) Subsidiaries included in the consolidated financial statements
The business entities of the consolidated financial statements are as follows:

| Investor | Name of Subsidiary | Nature of the operation | Percentage of shareholdings December 31, 2020 | Percentage of shareholdings December 31, 2019 |
|---|---|---|---|---|
| CHINA MAN-MADE FIBER CORPORATION | Deh Hsing Investment Co., Ltd. | General investment business | 100% | 100% |
| | Chou Chin Industrial CO., LTD. | Manufacturing and trading | 50% | 50% |
| | Pan Asia Chemical Corporation | Petrochemical business | 44% | 49% |
| | Taichung Securities Investment Trust Co., Ltd. (Original name: Reliance Securities Investment Trust Co., Ltd.) | Securities investment trust business | 50% | 50% |
| | Taichung Commercial Bank Co. | Banking business | 29% | 29% |
| | EUREKA **INVESTMENT** COMPANY LIMITED | General investment business | 100% | 100% |
| | Melasse | Cosmetics and cleaning appliances manufacturing | 100% | 100% |
| Deh Hsing Investment Co., Ltd. | Xiang-Feng Development | General investment business | 100% | 100% |
| | IOLITE COMPANY LIMITED | General investment business | 100% | 100% |
| IOLITE COMPANY LIMITED | Hammock (Hong Kong) Company Limited | General investment business | 100% | 100% |
| | Precious Wealth International Limited | General investment business | 100% | 100% |
| Hammock (Hong Kong) Company Limited | Hebei Hanoshi Contact Lens Co., Ltd. | Manufacturing and trading | 100% | 100% |
| Xiang-Feng Development | Tou-Ming Industry | Real estate development and leasing industry | 99% | 99% |
| Tou-Ming Industry | Jin-Bang-Ge Industry | Real estate development and leasing industry | 99% | 99% |
| Chou Chin Industrial CO., LTD. | GREENWORLD FOOD CO., LTD. | Food manufacturing, and distribution and warehousing of beverages | 96% | 96% |
| | Chou Chang Corporation | Distribution and warehousing of beverages | 64% | 64% |
| | Pan-Feng Industry | Restaurant industry | 100% | 100% |
| | Bomy Enterprise | General investment business | 62% | 62% |
| | Yuju Universal Corporation | General investment business | 90% | 90% |
| Yuju Universal Corporation | Noble House Glory | Short-term accommodation service | 100% | 100% |
| Bomy Enterprise | Bomy Shanghai | Manufacturing and trading | 99% | 99% |
| Bomy Shanghai | Shanghai Bomy Consultancy Management Co., Ltd. | Consultation service | 100% | 100% |

| Investor | Name of Subsidiary | Nature of the operation | Percentage of shareholdings December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|
| | Shanghai Bangyi International Trading Co., Ltd. | International trade | 100% | -% |
| Taichung Commercial Bank Co. | Taichung Commercial Bank Insurance Broker Co., Ltd. | Taichung Commercial Bank Co., Ltd. | 100% | 100% |
| | Taichung Commercial Bank Lease Enterprise | Leasing | 100% | 100% |
| | Taichung Commercial Bank Securities Co., Ltd. | Securities Brokerage | 100% | 100% |
| Taichung Commercial Bank Lease Enterprise | TCCBL Co., Ltd. | General investment business | 100% | 100% |
| TCCBL Co., Ltd. | Taichung Bank Leasing (Suzhou) | Financing Leasing and investments | 100% | 100% |
| Taichung Commercial Bank Securities Co., Ltd. | Taichung Bank Venture Capital Co., Ltd. | Venture Investment | 100% | -% |

1. The shareholding percentages of the above are based on the combined shareholding percentages.
2. The consolidated company has substantial control over Taichung Commercial Bank, so the Company and its subsidiaries are included in the consolidated financial statements.
3. The consolidated company participated in the cash capital increase of Dehsing Investment Co., Ltd. in March and May 2019, with 10,000 thousand shares of new investment and the investment cost of NT$100,000,000 for each.
4. In the context of the subscription by the merged company to common stock issued for cash by Jinbangge Construction Co., Ltd. in September 2019, a total of 2 million new shares were acquired at a cost of NT$ 20 million.
5. In July and September 2019, the merged company acquired 23,000 new shares from Bomy at a cost of NT$ 115,000.
6. In July and August 2019, the merged company acquired 88,000 new shares from JeouChang Co., Ltd. at a cost of NT$ 819,000.
7. The consolidated company increased investment in IOLITE COMPANY Ltd. in 2019 in the amount of NT$93,171,000 (US$3,000 thousand).
8. The consolidated company newly invested in Shanghai Bomy Consultancy Management Co., Ltd. through Shanghai Bomy Foodstuff Co., Ltd. in June 2020.
9. The consolidated company sold 13,437 thousand shares of Pan Asia Chemical Corporation from March to May 2020. The merged shareholding ratio decreased by 44%. The above transaction has not changed the consolidated company's' control over the subsidiary. The consolidated company deems it equity transaction disposal.
10. The consolidated company participated in the cash capital increase of Shiangfeng Development Co., Ltd. in June 2020, with 3,000 thousand shares of new investment and the investment cost of NT$30,000,000.
11. The consolidated company participated in the cash capital increase of Touming Industries Co., Ltd. in July 2020, with 3,000,000 shares of new investment and the investment cost of NT$30,000,000.
12. The consolidated company newly invested in Shanghai Bangyi International Trading Co., Ltd. through Shanghai Bomy Foodstuff Co., Ltd. in June 2020.
13. The consolidated company participated in the 2020 capital increase of Taichung Commercial Bank Co., Ltd., with 55,092 thousand shares of new investment and the investment cost of NT$561,936,000. Due to non-subscription in accordance with the shareholding ratio, the shareholding ratio changed. The reduction of Additional Paid-In Capital was adjusted-the equity method is adopted to recognize changes in the net worth of the associated company's equity in the amount of NT$41,007,000 and reserved earnings in the amount of NT$5,832,000.
14. The consolidated company's new investment of Taichung Commercial Bank Securities Co., Ltd. in Taichung Bank Venture Capital Co., Ltd., with the investment cost of NT$210,000,000 in June 2020.

(2) Information of the significant but non-controlling equity in subsidiaries

| Name of Subsidiary | Main places of business operations | Non-controlling equity shareholding and voting right ratio December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Taichung Commercial Bank Co. | Taichung City | 72% | 71% |

| Name of Subsidiary | Profit and loss distributed to the non-controlling equity 2020 | 2019 | Non-controlling interest December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|
| Taichung Commercial Bank Co. | $ 3,018,747 | $ 3,225,225 | $ 41,013,714 | $ 36,511,631 |
| Others | 87,914 | 85,363 | 2,388,427 | 2,087,012 |
| Total | $ 3,106,661 | $ 3,310,588 | $ 43,402,141 | $ 38,598,643 |

The following summary of financial information of subsidiaries with significant non-controlling interests is prepared based on the amount before the inter-company cancelled transaction:

Taichung Commercial Bank and its subsidiaries

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Assets | $ 736,770,021 | $ 682,688,922 |
| Liabilities | 679,448,268 | 631,379,716 |
| Equity | $ 57,321,753 | $ 51,309,206 |
| | | |
| Equity attributable to: | | |
| Owners of he Company | $ 16,308,039 | $ 14,797,575 |
| Non-controlling interests of Taichng Commercial Bank | 41,013,714 | 36,511,631 |
| | $ 57,321,753 | $ 51,309,206 |

| | 2020 | 2019 |
|---|---|---|
| Net revenue | $ 11,643,742 | $ 12,095,628 |
| Net income | $ 4,025,533 | $ 4,319,883 |
| Other comprehensive profit or loss | 448,863 | 152,812 |
| Total comprehensive income | $ 4,474,396 | $ 4,472,695 |
| | | |
| Profit attributable to: | | |
| Owners f the Company | $ 1,006,786 | $ 1,094,658 |
| Non-controlling interests of Taicung Commercial Bank | 3,018,747 | 3,225,225 |
| | $ 4,025,533 | $ 4,319,883 |
| The total comprehensive income belongs to: | | |
| Owners o the Company | $ 1,119,046 | $ 1,131,592 |
| Non-controlling interests of Taichug Commercial Bank | 3,355,350 | 3,341,103 |
| | $ 4,474,396 | $ 4,472,695 |
| Cash flows | | |
| Operatng activities | $ 23,761,460 | $ 17,392,955 |
| Invsting activities | ( 17,455,206 ) | ( 12,246,988 ) |
| finace activities | 1,626,413 | ( 6,399,696 ) |
| Impac of changes in exchange rate on cash and cash equivalents | ( 24,794 ) | ( 57,989 ) |
| Net cash inflow (outflow) | $ 7,907,873 | ( $ 1,311,718 ) |

19. Investment under the equity method

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Investments in the affiliated company | $ 1,115,825 | $ 1,180,884 |

Investments in the affiliated company

(1) The balance of the consolidated company's investments in associate companies:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| A major affiliated company | | |
| Nan Chung Petrochemical Corp. | $ 1,103,434 | $ 1,170,017 |
| Individual non-dominant associates | | |
| Wei-Kang International | 4,275 | 3,710 |
| Storm Model Management | 7,441 | 6,616 |
| BONWELL | 675 | 541 |
| | $ 1,115,825 | $ 1,180,884 |

(2) A major affiliated company

| Company name | Nature of the operation | Main places of business operations | Shareholding and voting right ratio December 31, 2020 | Shareholding and voting right ratio December 31, 2019 |
|---|---|---|---|---|
| Nan Chung Petrochemical Corp. | Petrochemical business | Yunlin County | 50% | 50% |

Summary financial information of Nan-Chung Petrochemical:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Total assets | $ 2,318,077 | $ 3,045,138 |
| Total Liabilities | 111,210 | 705,103 |
| Equity | 2,206,867 | 2,340,035 |
| The consolidated company's shareholding ratio | 50% | 50% |
| Book value of investment | $ 1,103,434 | $ 1,170,017 |

| | 2020 | 2019 |
|---|---|---|
| Operating income - current | $ 4,144,306 | $ 6,757,302 |
| Net income (loss) for current period | ( $ 98,496 ) | $ 34,675 |
| Current period other comprehensive income | $ 2,210 | $ 6,306 |

(3) Summarized information of individually immaterial associates.

| | 2020 | 2019 |
|---|---|---|
| Share of the Consolidated Company | | |
| Net income (loss) for the year | ( $ 507 ) | ( $ 3,339 ) |
| Current period other comprehensive income | - | - |
| Total comprehensive income | ( $ 507 ) | ( $ 3,339 ) |

With respect to investments adopting the equity method and the consolidated company's share of profit or loss and the other comprehensive income, Wei-Kang International, Storm Model Management and Bonwell did not have audited financial reports, while the rest did offer audited financial reports. The management of the consolidated company believed that the un-audited companies should not have significant impact to the overall financial report.

(4) For the mortgage guarantee situation of investments through the equity method, see Note 38.

## 20. Property, plant and equipment

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| The book amount of each category | | |
| Proprietary land | $ 11,341,678 | $ 11,263,642 |
| House and Building | 2,159,536 | 2,543,621 |
| Machine and Equipment | 6,258,234 | 7,251,448 |
| Transportation Equipment | 43,735 | 54,023 |
| Machinery and equipment | 153,061 | 174,437 |
| Other equipment | 345,617 | 377,018 |
| Construction in process and prepayment for machinery purchase | 3,630,534 | 1,921,107 |
| | | $ 23,585,296 |

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | House and Building | Machine and Equipment | Transportation and communication equipment | Machinery and equipment | Miscellaneous equipment | Uncompleted construction and equipment pending inspection | Total |
| Cost | | | | | | | | |
| Balance, beginning of year | $11,348,355 | $5,119,706 | $14,183,873 | $159,608 | $479,011 | $1,454,612 | $1,921,107 | $34,666,272 |
| Increase in current period | - | 526 | 70,085 | 7,401 | 4,746 | 95,130 | 2,289,103 | 2,466,991 |
| Decrease in current period | - | - | ( 67,237 ) | ( 7,343) | ( 2,366) | ( 14,921) | ( 48,777 ) | ( 140,644 ) |
| Reclassification | 78,030 | ( 33,448 ) | 12,757 | ( 2,336) | ( 4,256) | 2,180 | ( 531,982 ) | ( 479,055 ) |
| Foreign exchange impact amount | 6 | 2,000 | 7,490 | ( 13) | - | 393 | 1,083 | 10,959 |
| Balance, end of year | 11,426,391 | 5,088,784 | 14,206,968 | 157,317 | 477,135 | 1,537,394 | 3,630,534 | 36,524,523 |
| Accumulated depreciation | | | | | | | | |
| Balance, beginning of year | - | 2,393,429 | 6,716,206 | 104,590 | 303,904 | 1,048,171 | - | 10,566,300 |
| Increase in current period | - | 134,471 | 693,598 | 14,943 | 16,094 | 127,846 | - | 986,952 |
| Decrease in current period | - | - | ( 66,736 ) | ( 6,819) | ( 2,355) | ( 14,371) | - | ( 90,281 ) |
| Reclassification | - | - | - | - | - | - | - | - |
| Foreign exchange impact amount | - | 1,811 | 6,289 | 2 | - | 687 | - | 8,789 |
| Balance, end of year | - | 2,529,711 | 7,349,357 | 112,716 | 317,643 | 1,162,333 | - | 11,471,760 |
| Accumulated impairment | | | | | | | | |
| Balance, beginning of year | 84,713 | 182,656 | 216,219 | 995 | 670 | 29,423 | - | 514,676 |
| Increase in current period | - | 216,719 | 382,879 | - | 5,761 | - | - | 605,359 |
| Decrease in current period | - | - | - | ( 129) | - | - | - | ( 129 ) |
| Reclassification | - | - | - | - | - | - | - | - |
| Foreign exchange impact amount | - | 162 | 279 | - | - | 21 | - | 462 |
| Balance, end of year | 84,713 | 399,537 | 599,377 | 866 | 6,431 | 29,444 | - | 1,120,368 |
| Balance - net | $11,341,678 | $2,159,536 | $6,258,234 | $ 43,735 | $153,061 | $345,617 | $3,630,534 | $23,932,395 |

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | House and Building | Machine and Equipment | Transportation and communication equipment | Machinery and equipment | Miscellaneous equipment | Uncompleted construction and equipment pending inspection | Total |
| Cost | | | | | | | | |
| Balance, beginning of year | $11,112,292 | $4,844,813 | $11,153,083 | $150,566 | $396,697 | $1,403,857 | $3,570,262 | $32,631,570 |
| Increase in current period | 216 | 43,989 | 201,995 | 20,871 | 7,346 | 321,083 | 1,575,307 | 2,170,807 |
| Decrease in current period | - | ( 28,850 ) | ( 13,553 ) | ( 11,753 ) | ( 37,690 ) | ( 23,739 ) | | ( 115,585 ) |
| Reclassification | 236,109 | 265,756 | 2,859,863 | - | 112,658 | ( 243,262 ) | ( 3,213,656 ) | 17,468 |
| Foreign exchange impact amount | ( 262 ) | ( 6,002 ) | ( 17,515 ) | ( 76 ) | - | ( 3,327 ) | ( 10,806 ) | ( 37,988 ) |
| Balance, end of year | 11,348,355 | 5,119,706 | 14,183,873 | 159,608 | 479,011 | 1,454,612 | 1,921,107 | 34,666,272 |
| Accumulated depreciation | | | | | | | | |
| Balance, beginning of year | - | 2,259,341 | 6,054,515 | 100,082 | 325,002 | 947,974 | - | 9,686,914 |
| Increase in current period | - | 131,507 | 689,636 | 15,158 | 15,042 | 126,001 | - | 977,344 |
| Decrease in current period | - | - | ( 13,324 ) | ( 10,632 ) | ( 36,140 ) | ( 23,326 ) | - | ( 83,422 ) |
| Reclassification | - | 6,603 | - | - | - | - | - | 6,603 |
| Foreign exchange impact amount | - | ( 4,022 ) | ( 14,621 ) | ( 18 ) | - | ( 2,478 ) | - | ( 21,139 ) |
| Balance, end of year | - | 2,393,429 | 6,716,206 | 104,590 | 303,904 | 1,048,171 | - | 10,566,300 |
| Accumulated impairment | | | | | | | | |
| Balance, beginning of year | $ 84,713 | $183,032 | $216,880 | $ 1,018 | $ 670 | $ 29,472 | $ - | $515,785 |
| Increase in current period | - | - | - | - | - | - | - | - |
| Decrease in current period | - | - | ( 15 ) | ( 23 ) | - | - | - | ( 38 ) |
| Reclassification | - | - | - | - | - | - | - | - |
| Foreign exchange impact amount | - | ( 376 ) | ( 646 ) | - | - | ( 49 ) | - | ( 1,071 ) |
| Balance, end of year | 84,713 | 182,656 | 216,219 | 995 | 670 | 29,423 | - | 514,676 |
| Balance - net | $11,263,642 | $2,543,621 | $7,251,448 | $ 54,023 | $174,437 | $377,018 | $1,921,107 | $23,585,296 |

(1) As mentioned in Note 40, the consolidated company adjusted the 2020 ethylene glycol capacity based on market conditions. The consolidated company anticipates reduced future economic benefits from plants and equipment in the chemical industry sector. As a result, the recoverable amount will fall below the book value. The 2020 recognized impairment loss amounted to NT$605,359,000. The impairment loss has been included under other income and expenses in the consolidated income statement.

The Company determines the recoverable amount of plants and equipment in the chemical industry sector after deducting the fair value from cost of disposal. Relevant fair values are determined through comprehensive evaluation using the cost method and market approach. The main assumptions include replacement cost under cost method, market approach functionality, economic loss, and other necessary adjustments, which fall under Level 3 fair value measurement.

(2) Property and equipment of the consolidated company are appreciated in accordance with the straight line method over the useful years as follows:

| | |
|---|---|
| House and Building | |
| Buildings | 20 to 60 years |
| Renovation engineering | 8 to 29 years |
| Machine and Equipment | 2 to 47 years |
| Transportation and communication equipment | 2 to 15 years |
| Miscellaneous equipment | 2 to 30 years |
| Machinery and equipment | 5 years |

(3) Uncompleted projects and prepayments for business facilities by the merged company as of December 31, 2020 are mainly related to the office building of the merged company which is currently under construction.

(4) The Company's financial costs before capitalization in 2020, and 2019 accounted for NT$3,960,421,000 andNT$5,287,172,000. The capitalized financial costs for real estate, plants and equipment amounted to 0, and NT$2,272,000 respectively, with the capitalized interest rate of 1.85% per annum.

(5) Buildings leased out by the merged company as operating leases for a period of 1–2 years The lessee has no preferential purchase option with regard to the asset when the lease period ends. Total receivable lease payments for operating leases are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| First year | $ 133 | $ 860 |
| Second year | - | 133 |
| | $ 133 | $ 993 |

(6) Please see Note 38 for the status on property, plant and equipment provided as pledge collaterals.

21. Lease contract

(1) Right-of-use assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Carrying amount of the right-of-use asset | | |
| Land and house | $ 999,510 | $ 959,169 |
| Transportation Equipment | 212,857 | 111,637 |
| Machine and Equipment | 45,997 | 57,590 |
| | $ 1,258,364 | $ 1,128,396 |

| | ***2020*** | ***2019*** |
|---|---|---|
| Addition of right-of-use assets | $ 447,908 | $ 340,629 |
| Depreciation expense of the right-of-use asset | | |
| Land and house | $ 148,552 | $ 155,331 |
| Transportation Equipment | 105,866 | 93,611 |
| Machine and Equipment | 11,695 | 9,918 |
| | $ 266,113 | $ 258,860 |

(2) Lease liabilities

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Carrying amount of the lease liabilities | | |
| Current | $ 301,722 | $ 241,038 |
| Non-current | $ 832,712 | $ 754,957 |

The range of discount rates for lease liabilities is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Land and house | 1.01%~5.95% | 1.01%~5.95% |
| Transportation Equipment | 1.01%~5.96% | 1.01%~5.96% |
| Machine and Equipment | 1.82% | 1.82% |

(3) Important rental activities and terms

The merged company has leased several machines and transportation equipment for production and operations for a period of 1–8 years. The lease agreement does not stipulate renewal of the lease or purchase options at the time of expiry of the lease.

The merged company has also leased several plots of land and buildings as factory buildings, offices, branches, and ATM sites for a period of 1–7 years. Lease payments have been adjusted in accordance with market lease rates. The merged company has no preferential purchase option with regard to the leased land and buildings at the time of expiry of the lease.

(4) Other lease information

For more details on operating lease agreements for self-owned buildings and investment property of the merged company, please refer to Note 20 and 22.

| | 2020 | 2019 |
|---|---|---|
| Short-term lease expense | $ 61,178 | $ 82,422 |
| Low-value asset lease expense | $ 8,089 | $ 11,441 |
| Total cash of leases outflow | ( $ 363,232 ) | ( $ 372,627 ) |

The merged company chooses to apply recognition exemption as applicable to office and transportation equipment leased for short periods and computer and office equipment that meets low-value asset criteria. Right-of-use assets and lease liabilities for said equipment is not recognized.

22. Investment property

| | 2020 | | | |
|---|---|---|---|---|
| | Land | Buildings | Investment property in construction | Total |
| Cost | | | | |
| Balance, beginning of year | $ 1,290,814 | $ 214,229 | $ - | $ 1,505,043 |
| Increase in current period | - | 264,388 | - | 264,388 |
| Decrease in current period | ( 804,685 ) | - | - | ( 804,685 ) |
| Reclassification | 1,197,920 | 45,653 | - | 1,243,573 |
| Balance, end of year | 1,684,049 | 524,270 | - | 2,208,319 |
| Accumulated depreciation | | | | |
| Balance, beginning of year | - | 21,241 | - | 21,241 |
| Increase in current period | - | 2,272 | - | 2,272 |
| Balance, end of year | - | 23,513 | - | 23,513 |
| Accumulated impairment | | | | |
| Balance, beginning of year | 18,094 | 1,000 | - | 19,094 |
| Increase in current period | - | - | - | - |
| Balance, end of year | 18,094 | 1,000 | - | 19,094 |
| Balance - net | $ 1,665,955 | $ 499,757 | $ - | $ 2,165,712 |

| | 2019 | | | |
|---|---|---|---|---|
| | Land | Buildings | Investment property in construction | Total |
| Cost | | | | |
| Balance, beginning of year | $ 1,295,282 | $ 99,047 | $ 86,290 | $ 1,480,619 |
| Increase in current period | - | 121,785 | 15,000 | 136,785 |
| Reclassification of finance leases | - | - | ( 101,290 ) | ( 101,290 ) |
| Reclassification | ( 4,468 ) | ( 6,603 ) | - | ( 11,071 ) |
| Balance, end of year | 1,290,814 | 214,229 | - | 1,505,043 |
| Accumulated depreciation | | | | |
| Balance, beginning of year | - | 26,143 | - | 26,143 |
| Increase in current period | - | 1,701 | - | 1,701 |
| Reclassification | - | ( 6,603 ) | - | ( 6,603 ) |
| Balance, end of year | - | 21,241 | - | 21,241 |
| Accumulated impairment | | | | |
| Balance, beginning of year | 18,094 | 1,000 | - | 19,094 |
| Increase in current period | - | - | - | - |
| Reclassification | - | - | - | - |
| Balance, end of year | 18,094 | 1,000 | - | 19,094 |
| Balance - net | $ 1,272,720 | $ 191,988 | $ - | $ 1,464,708 |

Investment property is leased out for a period of 2-5 years. Upon closure of the leasehold duration, the lessee was not entitled to preferential leasehold power over the real estate.

As of December 31, 2020 and 2019, total receivable lease payments for operating leases of investment property are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| First year | $ 972 | $ 600 |
| Second year | 114 | 482 |
| | $ 1,086 | $ 1,082 |

The merged company has adopted general risk management policies to reduce residual asset risks of leased out investment property at the time of lease expiry.

Investment property of the appreciated in accordance with the straight line method over the useful years as follows:

| | |
|---|---|
| House and Building | |
| Buildings | 30 to 60 years |
| Renovation engineering | 2 to 29 years |

(1) Eureka Investment Company Limited sold part of the investment real estate in February 2020 upon resolution by the board of directors. The sale price amounted to NT$34,982,000. The disposal losses incurred amounted to NT$93,000.

(2) China Man-Made Fiber Corporation, as resolved by the board of directors on April 20, 2020, was to set up solar power generation equipment on the land at Kejia Section, Douliou City, Yunlin County (recognized as real estate, factory and equipment, later reclassified into investment real estate). However, in order to activate assets, the board of directors resolved to sell the idle assets on August 2020. The sale price was NT$3,644,503,000. After deducting related fees in the amount of NT$11,208,000, the disposed benefit generated amounted to NT$2,863,685,000.

(3) The fair values of the consolidated company's investment real estate amounted to NT$2,461,334,000 and NT$1,733,829,000 in 2020 and on December 31, 2019. In particular, the amounts not evaluated by independent appraisers amounted to NT$ 477,384,000 and NT$298,999,000. The rest were measured in 2020 and on December 31, 2019 using Level 3 input values. The evaluations are in reference to market proof of similar real estate trading prices. The important assumptions and evaluated fair values evaluated are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Asset earning power | 14%~20% | 15%~19% |
| The overall capital interest rate during development | 1.09% | 1.91% |

(4) All investment in real estate owned by the Consolidated Company' was in its own interests. Please see Note 38 for the status on investment property provided as pledge collaterals.

23. Intangible assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Goodwill | $ 426,381 | $ 426,381 |
| Business right | 28,000 | 28,000 |
| Royalties for waterway facilities | 277 | - |
| Computer software | 189,942 | 125,551 |
| Shell Royalty | 159,052 | 159,052 |
| | 803,652 | 738,984 |
| Less: accumulated impairment | ( 557,161 ) | ( 557,161 ) |
| | $ 246,491 | $ 181,823 |

(1) With respect to the consolidated company acquiring the shareholding of its subsidiaries, goodwill is considered when the acquisition cost is higher than the net asset value. As of December 31, 2020, the accumulated impairment loss was NT$398,109 thousand.

(2) The intangible assets of the consolidated company is the assigned right of operation from Feng Sing Securities. The right of operation is intangible assets that the life span cannot be determined and no amortization is made. As of December 31, 2020, no impairment of such right of operation has been declared in the evaluation.

(3) Changes in computer software costs and royalties are as follows:

| | 2020 | | |
|---|---|---|---|
| | Royalties | Computer software | Total |
| Cost | | | |
| Balance, beginning of year | $ 159,052 | $ 125,551 | $ 284,603 |
| Increase in current period | 282 | 110,035 | 110,317 |
| Amortization in the current period | - | ( 59,138 ) | ( 59,138 ) |
| Reclassification | - | 13,049 | 13,049 |
| Net exchange differences | ( 5 ) | 445 | 440 |
| Balance, end of year | 159,329 | 189,942 | 349,271 |
| Accumulated impairment | | | |
| Balance, beginning of year | 159,052 | - | 159,052 |

| | Royalties | Computer software | Total |
|---|---|---|---|
| Provided in the current period | - | - | - |
| Balance, end of year | 159,052 | - | 159,052 |
| Balance - net | $ 277 | $ 189,942 | $ 190,219 |

| | 2019 | | |
|---|---|---|---|
| | Royalties | Computer software | Total |
| Cost | | | |
| Balance, beginning of year | $ 159,052 | $ 135,974 | $ 295,026 |
| Increase in current period | - | 41,520 | 41,520 |
| Amortization in the current period | - | ( 52,488 ) | ( 52,488 ) |
| Reclassification | - | 610 | 610 |
| Net exchange differences | - | ( 65 ) | ( 65 ) |
| Balance, end of year | 159,052 | 125,551 | 284,603 |
| Accumulated impairment | | | |
| Balance, beginning of year | 159,052 | - | 159,052 |
| Provided in the current period | - | - | - |
| Balance, end of year | 159,052 | - | 159,052 |
| Balance - net | $ - | $ 125,551 | $ 125,551 |

In order to obtaining patent technologies required for the operations of ethylene glycol plant, CMFC signed an EO/EG patent agreement with Shell Research Limited. The authorized use of the patent lasts 5 years, starting the effective date of the agreement. However, due to the environmental concern of the construction site, the progress was seriously delayed. The follow-up negotiation with Shell Research enabled the continued use of patent, but royalty in full was recognized as impairment after assessment. CMFA later on updated the design and then constructed a new ethylene glycol plant following a revised cash capital increase. The Company signed a Shell EO/EG manufacturing process patent agreement (different from the manufacturing technologies originally signed as mentioned above) with Shell, and the total of the technical service fees of royalty according to the terms of contract was US$5,323 thousand.

Royalties for waterway facilities refer to NOBLE HOUSE GLORY Corporation's payment for using waterway facilities in accordance with laws and regulations in Japan.

24. Other assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Refundable deposit | $ 2,380,608 | $ 1,804,910 |
| Non-delinquent loans restated from loans-net | 2,246 | 2,246 |
| Collected payment of shares underwritten and pending payments to be delivered | 111,004 | 4 |
| Others | 206,855 | 3,746 |
| | $ 2,700,713 | $ 1,810,906 |

(1) The time deposits and government bonds held to maturity deposited by the consolidated company as the security bond for provisional seizure at court and for business guarantee on December 31, 2020 and 2019 were NTD 1,060,400 thousand and NTD 984,900 thousand, which are stated as refundable deposits.

(2) Non-loans transferred to collection - Breakdown of net:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-delinquent loans restated from loans | $ 3,767 | $ 4,506 |

| | | |
|---|---|---|
| Less: Allowance for bad debts - Taichung Commercial Bank (Note 10) | ( 1,521 ) | ( 2,260 ) |
| | $ 2,246 | $ 2,246 |

(3) Details of delinquent accounts, net are summarized as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Delinquent Accounts | $ 3,130 | $ 3,104 |
| Less: Allowance for bad debts - Collection (Note 10) | ( 3,130 ) | ( 3,104 ) |
| | $ - | $ - |

25. Borrowing

(1) Shot-term borrowings

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Secured loans | | |
| -Secured loan | $ 10,232,808 | $ 7,469,532 |
| Unsecured loans | | |
| - Credit loan | $ 3,537,843 | $ 4,397,507 |
| - Material procurement loan | 898,689 | 2,248,730 |
| | 4,436,532 | 6,646,237 |
| | $ 14,669,340 | $ 14,115,769 |

1. The interest rates of bank borrowings as of December 31, 2020 and 2019 were 0.95% to 5.23% and 1.00% to 5.44%, respectively.
2. For the foresaid loan collateral information, please refer to Note 38

(2) Short-term notes payable

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Short-term notes payable | $ 3,590,000 | $ 3,045,000 |
| Less: Discount of short-term notes and bills payable | ( 3,247 ) | ( 3,197 ) |
| | $ 3,586,753 | $ 3,041,803 |

The commercial notes payable's interest rate as of December 31, 2020 and 2019 are at between 0.412%~1.45% and 0.64%~1.568% respectively.

(3) Long-term borrowings

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Secured loans | | |
| - Bank loans | $ 7,542,662 | $ 8,293,123 |
| Less: Amount due in one year | ( 3,428,288 ) | ( 2,842,955 ) |
| Long-term borrowings | $ 4,114,374 | $ 5,450,168 |

1. China Man-Made Fiber Corporation conducted joint long-term borrowing in cooperation with the Taiwan Cooperative Bank in 2020 and on December 31, 2019 amounted to NT$1,900,000,000 and NT$1,694,100,000. The borrowing rate of interest is currently 1.80%. The borrowing will be repaid every year according to the loan contract. NT$1,005,000,000 will mature within one year. The borrowing is provided as collateral for China Man-Made Fiber Corporation's Kaohsiung plant land and buildings.
2. As of December 31, 2020 and 2019, CMFC had intermediate- and long-term borrowings from Taiwan Business Bank at NT$215,600 thousand and NT$232,800 thousand, for both year, with the borrowing rate currently at 1.12%. Starting March 2019, CMFC will repay the borrowings periodically based on the loan agreement and a total of $17,200 thousand will be due in the next year. The land and buildings are used as the collateral for the borrowing.

3. The long-term borrowing of China Man-Made Fiber Corporation's from the Mizuho Bank Ltd. amounted to NT$300,000,000 in 2020 and on December 31, 2019. The borrowing rate of interest is currently 1.22%. The contract is renewed every six months. NT$300,000,000 will mature within one year.
4. As of December 31, 2020 and 2019, CMFC had long-term borrowings from Land Bank of Taiwan at NT$47,384 thousand and NT$60,923 thousand, respectively, with the borrowing rate currently at 1.59%. CMFC has repaid the borrowings periodically based on the loan agreement and a total of $13,538 thousand will be due in the next year. The land and buildings are used as the collateral for the borrowing.
5. As of December 31, 2020 and 2019, China Man-Made Fiber Corporation's long-term loans with Union Bank of Taiwan amounted to NT$ 350,000 thousand and 650,000 thousand, respectively, with a borrowing rate of interest of 1.28%. The original loan payment start date of May 2019 was extended to November 2020. Loan payments will be made in a timely manner as prescribed in the loan agreements. In the upcoming year, a loan of NT$ 100,000 thousand will reach maturity. Said loans serve as collateral for 97,000 thousand shares of Taichung Bank.
6. The long-term borrowing of China Man-Made Fiber Corporation from the Company of Panhsin in 2020 and on December 2019 amounted to NT$728,828,000 and NT$500,000,000. The borrowing rate of interest is currently 1.27%–1.52%. The borrowing is to be repaid on schedule every year. NT$330,000,000 will mature within one year. China Man-Made Fiber Corporation's land and building premises in Xiaogang District, Kaohsiung City are provided as borrowing collateral.
7. The long-term borrowing of China Man-Made Fiber Corporation from the Sunny Bank in 2020 and on December 31, 2019 amounted to NT$400,000,000 and NT$600,000,000. The borrowing rate of interest is currently 1.25%. The contract is renewed every year. 95,000,000 shares of the Taichung Commercial Bank Co., Ltd. shall be provided as borrowing collateral.
8. The long-term borrowing of China Man-Made Fiber Corporation from the JihSun Bank in 2020 and on December 31,2019 amounted to NT$905,000,000 and NT$1,030,00,000. The borrowing rate of interest is currently 1.25%. The original maturity to be paid in full in October 2019 has been extended to maturity in June 2021. NT$605,000,000 will mature within one year. Th remaining NT$300,000,000 will be paid in full upon maturity in January 2022. 130,000 thousand shares from the Taichung Commercial Bank Co., Ltd. and 15,000 thousand shares from Taiwan Tea Corp. are provided as borrowing collateral.
9. The long-term borrowing of China Man-Made Fiber Corporation from the Taiwan Cooperative Bank in 2020 and on December 31, 2019 amounted to NT$650,000,000. The borrowing rate of interest is 1.50%. The remained borrowing was paid in full in August 2020. The land and building premises of the land in Douliou City, Yunlin County are provided as borrowing collateral.
10. The borrowing of China Man-Made Fiber Corporation from the Shanghai Commercial Bank in 2020 and on December 31, 2019 amounted to NT$500,000,000 and NT$200,000,000. The borrowing rates of interest currently stand at 1.25%–1.30%. The borrowing is to be repaid on schedule starting January 2021. NT$107,500,000 will mature within one year. China Man-Made Fiber Corporation's 33,400 thousand shares from the Taichung Commercial Bank Co., Ltd. and the land and building premises in Xiaogang District, Kaohsiung City are provided as borrowing collateral.
11. The borrowing of China Man-Made Fiber Corporation from the Company of Kaohsiung in 2020 and on December 31, 2019 amounted to NT$100,000,000 respectively. The borrowing rate is currently 1.25%. The contract is renewed every three months. NT$100,000,000 will mature within one year.
12. As of December 31, 2020 and 2019, PACC had intermediate-term borrowings from Taiwan Cooperative Bank at NT$508,000 thousand and NT$604,000 thousand, respectively, with the borrowing rate currently at 1.35%. PACC has repaid the borrowings periodically based on the loan agreement and a total of $24,000 thousand will be due in the next year. Said loan serves as collateral for land and buildings of the Kaohsiung Plant of Pan Asia Chemical Corporation.

13. As of December 31, 2020 and 2019, Pan Asia's long-term loans with Union Bank of Taiwan amounted to NT$ 115,000 thousand and NT$175,000 thousand, respectively, with a borrowing rate of interest of 1.39%. Loan payments are made in a timely manner as prescribed in the loan agreements. Said loans serve as collateral for China Man-Made Fiber Corporation stocks held by Pan Asia Chemical Corporation.
14. As of December 31, 2020 and 2019, PACC had long-term borrowings from Bank of Panhsin at NT$90,000 thousand and NT$60,000 thousand, respectively, with the borrowing rate currently at 1.36%. PACC has repaid the borrowings periodically based on the loan agreement and a total of $20,000 thousand will be due in the next year.
15. The long-term borrowing of the Pan Asia Chemical Corporation from the JihSun Bank in 2020 and on December 31, 2019 amounted to NT$122,000,000 and NT$100,000,000. The borrowing rate of interest is currently 1.28%. The original maturity in October 2020 has been extended to maturity in October 2022 to be paid in full. The shares of China Man-Made Fiber Corporation are provided as borrowing collateral.
16. The long-term borrowing of the Pan Asia Chemical Corporation from the Taiwan Business Bank in 2020 and on December 31, 2019 amounted to NT$535,000,000 and NT$595,000,000. The borrowing rate of interest is currently 1.25%. The borrowing is to be repaid on schedule every year according to the loan contract. NT$535,000,000 will mature within one year
17. The long-term borrowing of Jinbange Industries Co., Ltd. amounted to NT$41,000,000 and NT$49,000,000 in 2020 and on December 31, 2019. The borrowing rate of interest is currently 2.37%. The original maturity in May 2019 to be paid in full has been extended to maturity in May 2021 to be paid in full. NT$8,000,000 principal was paid in advance in January 2020. NT$41,000,000 will mature within one year. The land in Zhihsing Section, Wanhua are provided as borrowing collateral.
18. The long-term borrowing of the Chou-Chin Industrial Co., Ltd. from the Union Bank of Taiwan in 2020 and on December 31, 2019 and amounted to NT$130,000,000 and NT$110,400 thousand. The borrowing rates of interest is currently 1.53–1.70%. The shares of Hua Nan Financial Holdings and the financial debentures of Taichung Commercial Bank Co., Ltd. are provided as borrowing collateral.
19. The long-term borrowing of the Chou-Chin Industrial Co., Ltd. from the JihSun Bank in 2020 and on December 31, 2019 amounted to NT$116,000,000 and NT$120,000,000. The borrowing rate of interest is currently 1.45–1.70%. NT$60,000,000 will mature within one year. The shares of Hua Nan Financial Holdings are provided as borrowing collateral.
20. The long-term borrowing of the Chou-Chin Industrial Co., Ltd. from the First Commercial Bank in 2020 and on December 31, 2019 amounted to NT$160,000,000 and NT$170,000,000. The borrowing rates of interest is currently 1.45–1.60%. NT$10,000,000 will mature within one year. The plant in Changhua is provided as borrowing collateral.
21. The long-term borrowing of the Chou Chang Co., Ltd. from the Sunny Bank (Fuhsing Branch) in 2020 and on December 31, 2019 amounted to NT$156,000,000 and NT$165,000,000. The borrowing rates of interest are currently 1.75% and 2.03%. NT$156,000,000 will mature within one year. The financial debentures of the Taichung Commercial Bank Co., Ltd. are provided as borrowing collateral.
22. The long-term borrowing of the Chou Chang Co., Ltd. from the Far Eastern Int'l bank (Business Department) on December 31, 2019 and December 31, 2020 amounted to NT$122,850,000 and NT$126,900,000. The borrowing rates of interest are currently 1.72% and 2.02%. NT$4,050,000 will mature within one year. The financial debentures of the Taichung Commercial Bank Co., Ltd. are provided as borrowing collateral.
23. Please refer to Note 38 for the collateral of the long-term borrowings:

26. Bills and bonds sold under repurchase agreements

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Government bonds | $ 1,203,592 | $ 2,002,755 |
| Overseas bond | 1,096,485 | 8,366,270 |
| | $ 2,300,077 | $ 10,369,025 |

Post-period re-purchase amount and interest rate are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Government bonds | $ 1,203,981 | $ 2,003,566 |
| Overseas bond | 1,097,527 | 8,415,535 |
| | $ 2,301,508 | $ 10,419,101 |

| | | |
|---|---|---|
| Government bonds | 0.20%~ 0.21% | 0.50%~ 0.54% |
| Overseas bond | 0.38% | 2.18%~ 2.45% |

Foreign bonds are valued in foreign currencies as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| USD | $ 39,022 | $ 278,876 |

27. Due to Central Bank and other banks

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Call loans to banks | $ 6,411,231 | $ 6,200,860 |
| Due to Chunghwa Post Co., Ltd. | 326,094 | 326,187 |
| Deposits of other banks | 300,013 | 13 |
| | $ 7,037,338 | $ 6,527,060 |

28. Other payables

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Payable expenses | $ 2,550,424 | $ 2,397,682 |
| Receivable accounts for settlement | 1,526,955 | 716,756 |
| Notes and checks in clearing | 1,249,821 | 1,007,649 |
| Payable spot exchange settlement payment | 1,083,053 | 870,282 |
| Acceptances payable | 455,797 | 514,383 |
| Payable interest | 333,395 | 472,580 |
| Account payable for underwriting | 105,876 | 49,615 |
| Others | 665,088 | 728,318 |
| | $ 7,970,409 | $ 6,757,265 |

29. Deposits and remittances

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Check deposits | $ 8,826,200 | $ 8,067,416 |
| Demand deposits | 171,030,484 | 137,883,306 |
| Current saving deposits | 150,643,016 | 134,211,159 |
| Time deposits | 150,412,288 | 143,685,998 |
| Time saving deposits | 155,188,149 | 159,025,088 |
| Remittances | 88,554 | 162,288 |
| | $ 636,188,691 | $ 583,035,255 |

30. Bonds payable

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Subordinate financial bonds | $ 11,500,000 | $ 14,000,000 |
| Less: Part owned by the consolidated company | ( 1,510,000 ) | ( 1,510,000 ) |

| | | |
|---|---|---|
| Bills with less than one year to maturity | - | ( 2,500,000 ) |
| | $ 9,990,000 | $ 9,990,000 |

(1) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 10100305900 dated September 24, 2012, the Taichung Bank issued 1st term subordinate financial bonds November 13, 2012 upon the following terms and conditions:
1. Approved: NTD3,000,000 thousand.
2. Issued: NTD3,000,000 thousand.
3. Denomination: NTD1,000 thousand, issued at par value.
4. Duration: 7 years, matured on November 13, 2019.
5. Coupon rate: Fixed annual interest rate 2.1%.
6. Repayment Methods: repayment in lump sum upon maturity.
7. Payment of interest: interest paid per six months as of the date of issuance.

(2) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 10200089330 dated April 8, 2013, the Taichung Bank issued 1st term and 2nd term subordinate financial bonds June 25 and December 16, 2013 upon the following terms and conditions:
1. Amount approved for issuance: NT$6,000,000 thousand.
2. Issued:
   (1) 1st term 2013: 2,500,000 thousand.
   (2) 2nd term 2013: 3,000,000 thousand.
3. Denomination:
   (1) 1st term 2013: NTD 500 thousand, issued at par value.
   (2) 2nd term 2013: NTD 500 thousand, issued at par value.
4. Duration:
   (1) 1st term 2013: 7 years, matured on June 26, 2020.
   (2) 2nd term 2013: 6 years, matured on December 16, 2019.
5. Bond interest rate:
   (1) 1st term 2013: the fixed annual rate of 2.1%.
   (2) 2nd term 2013: the fixed annual rate of 2.1%.
6. Repayment Methods: repayment in lump sum upon maturity.
7. Payment of interest: interest paid per six months as of the date of issuance.

(3) The Company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10400200460 dated August 26, 2015 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term for 2015 on December 28 2015. The terms and conditions for issuance are shown below:
1. Amount approved for issuance: NT$1,500,000 thousand.
2. Amount issued: NT$1,500,000 thousand.
3. Face value: NT$10,000 thousand, issued at face value.
4. Maturity: no maturity date.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Repayment Methods: executed in accordance with the regulations of issuance.
7. Interest payment: once annually from the issuing date.

(4) The Taichung Bank has been approved by Financial Supervisory Commission under Letter Jin-Kuan-Yin-Piao-Zi No. 10500210950 dated September 2, 2016 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term and 2nd term and 3rd term for 2017 and 1st term for 2016 on March 28, May 18, August 28, 2017 and December 28, 2016. The terms and conditions for issuance are shown below:
1. Amount approved for issuance: NT$3,500,000 thousand.
2. Issued:
   (1) 1st term 2016: 1,500,000 thousand.
   (2) 1st term 2017: 1,000,000 thousand.

(3) 2nd term 2017: 500,000 thousand.
(4) 3rd term 2017: 500,000 thousand.
3. Denomination:
(1) 1st term 2016: NTD 10,000 thousand, issued at par value.
(2) 1st term 2017: NTD 10,000 thousand, issued at par value.
(3) 2nd term 2017: NTD 10,000 thousand, issued at par value.
(4) 2nd term 2017: NTD 10,000 thousand, issued at par value.
4. Maturity: no maturity date.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Repayment Methods: executed in accordance with the regulations of issuance.
7. Interest payment: once annually from the issuing date.

(5) The Company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10600229120 dated September 22, 2017 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term for 2018 and 4th, 5th term for 2017 on April 25, 2018 and December 5, December 27, 2017. The terms and conditions for issuance are shown below:
1. Approved: NTD5,000,000 thousand.
2. Issued:
(1) 4th term 2017: 1,350,000 thousand.
(2) 5th term 2017: 2,650,000 thousand.
(3) 1st term 2018: 1,000,000 thousand.
3. Denomination:
(1) 4th term 2017: NTD 10,000 thousand, issued at par value.
(2) 5th term 2017: NTD 10,000 thousand, issued at par value.
(3) 1st term 2018: NTD 10,000 thousand, issued at par value.
4. Maturity: no maturity date.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Repayment Methods: executed in accordance with the regulations of issuance.
7. Interest payment: once annually from the issuing date.

(6) The Company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10702156550 dated August 23, 2018 for the issuance of no maturity non-cumulative subordinated financial debentures 2nd term for 2018 on December 18, 2018. The terms and conditions for issuance are shown below:
1. Amount approved for issuance: NT$1,500,000 thousand.
2. Amount issued: NT$1,500,000 thousand.
3. Face value: NT$10,000 thousand, issued at face value.
4. Maturity: no maturity date.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Repayment Methods: executed in accordance with the regulations of issuance.
7. Interest payment: once annually from the issuing date.

31. Provision for liabilities

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Employee benefit liabilities reserve | $ 1,311,270 | $ 1,361,110 |
| Reserve for guarantee liability | 235,963 | 174,463 |
| Provision for commitment of financing | 72,060 | 63,357 |
| Other reserves | 13,097 | 11,878 |
| Pending litigation reserves | 78,998 | - |
| | $ 1,711,388 | $ 1,610,808 |

(1) Employee benefit liabilities reserve is detailed as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Defined benefit liabilities | $ 1,135,842 | $ 1,200,158 |
| Employees preferential deposit plan | 139,406 | 131,433 |
| Other long-term employee benefit liabilities | 36,022 | 29,519 |
| | $ 1,311,270 | $ 1,361,110 |

1. Defined contribution pension plan

The pension system of the "Labor Pension Act" that is applicable to the Company and its subsidiaries of the consolidated company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

2. Defined benefit plan

The consolidated company's pension system under the "Labor Standards Act" of the R.O.C. is a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The consolidated company has contributed to the employee pension fund monthly based on the total salaries to Labor Pension Reserve Supervisory Committee for deposit at the special account in the Bank of Taiwan bearing the title of the committee. If the balance of the special account before the end of the fiscal year is insufficient to settle the payment for employees qualified for retirement in the next fiscal year, the Company shall make up the difference in lump sum by the end of March of the next fiscal year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the consolidated financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the consolidated balance sheet is shown below:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Present value of the defined benefit obligations | $ 2,249,380 | $ 2,295,198 |
| The fair value of plan assets | ( 1,113,538 ) | ( 1,095,040 ) |
| Appropriation shortage | 1,135,842 | 1,200,158 |
| Net determined benefit liability | $ 1,135,842 | $ 1,200,158 |

Change in net determined benefit liability is shown below

| | Present value of the defined benefit obligations | The fair value of plan assets | Net determined benefit liability |
|---|---|---|---|
| January 1, 2019 | $ 2,222,641 | ( $ 976,641 ) | $ 1,246,000 |
| Service cost | | | |
| Current service cost | 17,586 | - | 17,586 |
| Interest expenses (revenues) | 24,545 | ( 13,057 ) | 11,488 |
| Recognized in the profit or loss | 42,131 | ( 13,057 ) | 29,074 |
| Reevaluation | | | |
| Planned ROE (except the amount of net interest) | - | ( 30,630 ) | ( 30,630 ) |
| Actuarial loss – change in the assumption of the census | 1,742 | - | 1,742 |
| Actuarial loss – change in financial assumptions | 87,656 | - | 87,656 |

| | Present value of the defined benefit obligations | The fair value of plan assets | Net determined benefit liability |
|---|---|---|---|
| Actuarial loss – adjustment through experience | 68,344 | - | 68,344 |
| Recognized in the other comprehensive profit of loss | 157,742 | ( 30,630 ) | 127,112 |
| Employer appropriation | - | ( 183,288 ) | ( 183,288 ) |
| Planned asset payment | ( 108,576 ) | 108,576 | - |
| Company account payment | ( 18,740 ) | - | ( 18,740 ) |
| December 31, 2019 | 2,295,198 | ( 1,095,040 ) | 1,200,158 |
| Service cost | | | |
| Current service cost | $ 12,785 | $ - | $ 12,785 |
| Interest expenses (revenues) | 17,271 | ( 8,775 ) | 8,496 |
| Recognized in the profit or loss | 30,056 | ( 8,775 ) | 21,281 |
| Reevaluation | | | |
| Planned ROE (except the amount of net interest) | - | ( 32,591 ) | ( 32,591 ) |
| Actuarial loss – change in the assumption of the census | 1,417 | - | 1,417 |
| Actuarial loss – change in financial assumptions | 62,456 | - | 62,456 |
| Actuarial gain – experience adjustments | ( 267 ) | - | ( 267 ) |
| Recognized in the other comprehensive profit of loss | 63,606 | ( 32,591 ) | 31,015 |
| Employer appropriation | | ( 88,352 ) | ( 88,352 ) |
| Planned asset payment | ( 111,220 ) | 111,220 | - |
| Company account payment | ( 28,260 ) | - | ( 28,260 ) |
| December 31, 2020 | $ 2,249,380 | ( $ 1,113,538 ) | $ 1,135,842 |

The pension fund system of the Company contained in the consolidated financial statements is exposed to the following risks due to the "Labor Standards Act":

(1) Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the consolidated company shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.

(2) Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.

(3) Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the Company contained in the consolidated financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 0.29%~ 0.50% | 0.68%~ 0.80% |
| The expected rate of increase in salaries | 1.50%~ 2.75% | 1.50%~ 2.75% |

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ( $ 56,438 ) | ( $ 60,535 ) |
| Decrease by 0.25% | $ 58,420 | $ 62,757 |
| The expected rate of increase in salaries | | |
| Increase by 0.25% | $ 56,714 | $ 61,080 |
| Decrease by 0.25% | ( $ 55,071 ) | ( $ 59,225 ) |

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Prepaid amount for 1 year | $ 78,468 | $ 147,951 |
| Average maturity of determined benefit obligation | 9 to 15 years | 9 to 16 years |

3. Employees preferential deposit plan

With effect on December 21, 2014, Taichung Bank in the financial statements adjusted the interest rate for the deposit of the banking staff. According to Order Jin-Guan-Yin-Fa-Zi No. 10110000850 and the Regulations Governing the Preparation of Financial Reports by Public Banks, the employee preferred deposit plan liabilities shall be subject to the actuarial calculation of a qualified actuary professional.

Contingent liabilities included in the consolidated balance sheet due to employees' preferential deposit plan at Taichung Commercial Bank are shown as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Present value of preferred deposit plan | $ 139,406 | $ 131,433 |
| The fair value of plan assets | - | - |
| Appropriation shortage | 139,406 | 131,433 |
| Provision for liability – preferred deposit plan | $ 139,406 | $ 131,433 |

Change in employee preferred deposit plan liability is shown below:

| | Present value of the defined benefit obligations | The fair value of plan assets | Net determined benefit liability |
|---|---|---|---|
| January 1, 2019 | $ 120,769 | $ - | $ 120,769 |
| Service cost | | | |
| Service costs from previous period | 6,700 | - | 6,700 |
| Interest expenses | 4,286 | - | 4,286 |
| Recognized in the profit or loss | 10,986 | - | 10,986 |
| Reevaluation | | | |
| Actuarial loss – change in the assumption of the census | 6,770 | - | 6,770 |

| | Present value of the defined benefit obligations | The fair value of plan assets | Net determined benefit liability |
|---|---|---|---|
| Actuarial loss – adjustment through experience | 21,177 | - | 21,177 |
| Recognized in the other comprehensive profit of loss | 27,947 | - | 27,947 |
| Company account payment | ( 28,269 ) | - | ( 28,269 ) |
| December 31, 2019 | 131,433 | - | 131,433 |
| Service cost | | | |
| Service costs from previous period | 11,407 | - | 11,407 |
| Interest expenses | 4,692 | - | 4,692 |
| Recognized in the profit or loss | 16,099 | - | 16,099 |
| Reevaluation | | | |
| Actuarial loss – adjustment through experience | 20,941 | - | 20,941 |
| Recognized in the other comprehensive profit of loss | 20,941 | - | 20,941 |
| Company account payment | ( 29,067 ) | - | ( 29,067 ) |
| December 31, 2020 | $ 139,406 | $ - | $ 139,406 |

The amount of employee preferred deposit plan recognized as profit and loss by function is summarized below:

| | 2020 | 2019 |
|---|---|---|
| Operating expenses | $ 16,099 | $ 10,986 |

The employee preferred deposit obligation of the Taichung Commercial Bank is based on the actuarial calculation of professional actuary and the major assumption as of the evaluation day is shown below:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | 4.00% | 4.00% |
| Return on deposited fund | 2.00% | 2.00% |
| Excessive interest rate | 2.00% | 2.00% |
| The withdrawal rate of preferred deposits | 3.50% | 3.50% |

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of employee preferred deposit obligation will be:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ( $ 3,381 ) | ( $ 3,202 ) |
| Decrease by 0.25% | $ 3,529 | $ 3,343 |
| The withdrawal rate of preferred deposits | | |
| Increase by 0.25% | $ 3,647 | $ 3,454 |
| Decrease by 0.25% | ( $ 3,799 ) | ( $ 3,599 ) |

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of employee preferred deposit obligation.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Prepaid amount for 1 year | $ - | $ - |
| The average maturity of employee preferred deposit obligation | 10.3 years | 10.4 years |

4. Other long-term employee benefits

The other long-term employee benefits of the Taichung Commercial Bank meant for the long-term disability benefits. The Company will issue pensions to the employees who die of sickness or accidents at work for reasons other than occupational hazards.

Taichung Commercial Bank recognized long-term employee benefits in the consolidated comprehensive income statement for an amount of NTD 6,503 thousand and NTD 6,531 thousand in 2020 and 2019, respectively. The other long-term employee benefit liabilities reserve amounted to NT$ 36,022 thousand and NT$ 29,519 thousand as of December 31, 2020 and 2019, respectively.

(2) Taichung Bank Statement of Changes in Reserves for Guarantees

2020

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non-accrual Loans” | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2020 | $ 109,720 | $ 1,778 | $ 58,621 | $ 170,119 | $ 4,344 | $ 174,463 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 5 ) | 3,399 | ( 3,394 ) | - | - | - |
| Converted as financial assets with credit impairment | ( 6 ) | - | 6 | - | - | - |
| Converted as anticipated credit loss in 12 months | 3,815 | ( 736 ) | ( 3,079 ) | - | - | - |
| Financial assets removed in current period | ( 78,990 ) | ( 1,042 ) | ( 15,768 ) | ( 95,800 ) | - | ( 95,800 ) |
| Procured or initiated new financial assets | 141,620 | 3,975 | - | 145,595 | - | 145,595 |
| Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | 21,507 | 21,507 |
| Write-off bad debts | - | - | - | - | - | - |
| Recovered amount after write-off bad debts | - | - | - | - | - | - |
| Foreign exchange settlement and other changes | ( 7,196 ) | ( 2,575 ) | ( 31 ) | ( 9,802 ) | - | ( 9,802 ) |
| Balance - ending | $ 168,958 | $ 4,799 | $ 36,355 | $ 210,112 | $ 25,851 | $ 235,963 |

2019

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non-accrual Loans” | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2019 | $ 121,061 | $ 1,751 | $ 55,221 | $ 178,033 | $ 11,815 | $ 189,848 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | ( 3 ) | 3 | - | - | - | - |
| Converted as financial assets with credit impairment | ( 434 ) | - | 434 | - | - | - |
| Converted as anticipated credit loss in 12 months | 11,027 | ( 292 ) | ( 10,735 ) | - | - | - |
| Financial assets removed in current period | ( 86,834 ) | ( 1,458 ) | ( 7,647 ) | ( 95,939 ) | - | ( 95,939 ) |
| Procured or initiated new financial assets | 80,868 | 1,720 | 4,221 | 86,809 | - | 86,809 |
| Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | ( 7,471 ) | ( 7,471 ) |
| Write-off bad debts | - | - | - | - | - | - |
| Recovered amount after write-off bad debts | - | - | - | - | - | - |
| Foreign exchange settlement and other changes | ( 15,965 ) | 54 | 17,127 | 1,216 | - | 1,216 |
| Balance - ending | $ 109,720 | $ 1,778 | $ 58,621 | $ 170,119 | $ 4,344 | $ 174,463 |

Bad debt expense, commitment and guarantee liability provisions recognized in 2020 and 2019.

(3) The table of changes in other reserves of the Taichung Commercial Bank Co., Ltd. is as follows:

2020

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2020 | $ 9,638 | $ - | $ 7 | $ 9,645 | $ 2,233 | $ 11,878 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | - | - | - | - | - | - |
| Converted as financial assets with credit impairment | - | - | - | - | - | - |
| Converted as anticipated credit loss in 12 months | - | - | - | - | - | - |
| Financial assets removed in current period | ( 9,638 ) | - | ( 7 ) | ( 9,645 ) | - | ( 9,645 ) |
| Procured or initiated new financial assets | 9,157 | 3,263 | - | 12,420 | - | 12,420 |
| Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - | ( 1,556 ) | ( 1,556 ) |
| Write-off bad debts | - | - | - | - | - | - |
| Recovered amount after write-off bad debts | - | - | - | - | - | - |
| Foreign exchange settlement and other changes | - | - | - | - | - | - |
| Balance - ending | $ 9,157 | $ 3,263 | $ - | $ 12,420 | $ 677 | $ 13,097 |

2019

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2019 | $ 12,108 | $ - | $ - | $ 12,108 | $ 11,825 | $ 23,933 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | - | - | - | - | - | - |
| Converted as financial assets with credit impairment | - | - | - | - | - | - |
| Converted as anticipated credit loss in 12 months | - | - | - | - | - | - |
| Financial assets removed in current period | ( 12,073 ) | - | - | ( 12,073 ) | - | ( 12,073 ) |
| Procured or initiated new financial assets | 9,628 | - | 7 | 9,635 | - | 9,635 |
| Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - | ( 9,592 ) | ( 9,592 ) |
| Write-off bad debts | - | - | - | - | - | - |
| Recovered amount after write-off bad debts | - | - | - | - | - | - |
| Foreign exchange settlement and other changes | ( 25 ) | - | - | ( 25 ) | - | ( 25 ) |
| Balance - ending | $ 9,638 | $ - | $ 7 | $ 9,645 | $ 2,233 | $ 11,878 |

Bad debt expense, commitment and guarantee liability provisions recognized in 2020 and 2019.

(4) Taichung Bank Statement of Changes in Reserves for Financial Commitments

2020

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2020 | $ 57,484 | $ 1,848 | $ 4,025 | $ 63,357 | $ - | $ 63,357 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | (5,991) | 5,353 | 638 | - | - | - |
| Converted as financial assets with credit impairment | (3) | (8) | 11 | - | - | - |
| Converted as anticipated credit loss in 12 months | 1,685 | (1,685) | - | - | - | - |
| Financial assets removed in current period | (8,260) | (141) | (4,025) | (12,426) | - | (12,426) |
| Procured or initiated new financial assets | 24,551 | 1,298 | 1,917 | 27,766 | - | 27,766 |
| Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - | (5,392) | (5,392) |
| Write-off bad debts | - | - | - | - | - | - |
| Recovered amount after write-off bad debts | - | - | - | - | - | - |
| Foreign exchange settlement and other changes | (1,774) | 540 | (11) | (1,245) | - | (1,245) |
| Balance - ending | $ 58,968 | $ 7,205 | $ 2,555 | $ 68,728 | $ 3,332 | $ 72,060 |

2019

| | Anticipated credit loss in 12 months | Anticipated credit loss within the perpetuity of the financial assets | Financial assets with credit impairment | Impairment recognized in accordance with IFRS 9 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non-accrual Loans" | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2019 | $ 61,769 | $ 2,040 | $ - | $ 63,809 | $ - | $ 63,809 |
| Changes in financial instruments recognized at the beginning of the period: | | | | | | |
| Converted as anticipated credit loss within the perpetuity of the financial assets | (4) | 4 | - | - | - | - |
| Converted as financial assets with credit impairment | (4) | (4,032) | 4,036 | - | - | - |
| Converted as anticipated credit loss in 12 months | 1,177 | (1,177) | - | - | - | - |
| Financial assets removed in current period | (9,439) | (791) | - | (10,230) | - | (10,230) |
| Procured or initiated new financial assets | 21,880 | 1,041 | - | 22,921 | - | 22,921 |
| Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - | - | - |
| Write-off bad debts | - | - | - | - | - | - |
| Recovered amount after write-off bad debts | - | - | - | - | - | - |
| Foreign exchange settlement and other changes | (17,895) | 4,763 | (11) | (13,143) | - | (13,143) |
| Balance - ending | $ 57,484 | $ 1,848 | $ 4,025 | $ 63,357 | $ - | $ 63,357 |

As of December 31, 2020 and 2019, bad debt expense allowances and commitment/guarantee reserve allowances.

(5) The consolidated company's 2020 pending litigation reserve provision amounts to NT$78,998,000. See Note 39.

32. Equity

(1) Capital stock

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Authorized number of shares (thousand shares) | 1,680,000 | 1,680,000 |
| Authorized capital | $ 16,800,000 | $ 16,800,000 |
| Number of shares issued with fully paid-in capital (thousand shares) | 1,621,367 | 1,621,367 |
| Outstanding capital | $ 16,213,672 | $ 16,213,672 |

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

As of January 1, 2019, CMFC's paid-in capital was $15,224,105 thousand, consisting of 1,522,410 thousand shares of common stock, with a par value of $10 per share. On June 5, 2019, the shareholder meeting resolved to recapitalize the undistributed earnings of NT$989,567 thousand to 989,567 shares (both in thousand), at a par value of NT$10 per share, all of which were common stocks. As of December 31, 2020, the paid-in capital of CMFC has increased to NT$16,213,672 thousand, consisting of 1,621,367 thousand shares of common stock at a par value of NT$10 per share.

(2) Capital surplus

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| For covering loss carried forward, payment in cash or capitalization as equity shares (Note) | | |
| Shares issued in excess of par value | $ 590,001 | $ 590,001 |
| The differences between carrying amount and market price of actual acquisition or disposal of shares in subsidiaries. | - | 6,270 |
| Assets received | 2,129 | 2,129 |
| Treasury stock transactions | 772,194 | 772,194 |
| For covering loss carried forward only. | | |
| Changes in the ownership equity on a subsidiary | 143,231 | 184,238 |
| Transaction of treasury stock (cash dividends paid to subsidiaries) | 153,376 | 153,376 |
| Invalid ESO | 2,600 | 2,600 |
| | $ 1,663,531 | $ 1,710,808 |

Note Such additional paid-in capital can be used to make up for losses; also, when the Company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(3) Retained earnings and Dividend Policy

According to the Articles of Incorporation of China Man-Made Fiber Corporation, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the Company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. For information on the policy of remuneration to employees, Directors, and Shareholders to the Articles of Incorporation, refer to Note 33 (10) remunerations for employees, directors and supervisors.

The Company's dividend policy shall be drafted subject to the Company's future investment environment and long-term financial planning, and also takes the shareholders' equity into consideration. The dividends shall be allocated in the form of cash dividend as the first priority per year, and may be allocated in the form of stock dividend, provided that the ratio of allocation of stock dividend shall be no more than 95% of the total dividends.

China Man-Made Fiber Corporation has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)." If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

The legal reserve should be contributed until its balance reaches the Company's total paid-in capital. The legal reserve may be applied to make up loss. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

China Man-Made Fiber Corporation held General Shareholders Meetings on June 2, 2020 and June 5, 2019, which adopted resolutions with regard to the 2019 and 2018 surplus distribution proposals as follows:

| | Earnings Distribution Proposal | | Dividend Per Share (NTD) | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Legal reserve | $ - | $ 137,204 | $ - | $ - |
| Special reserve | 4,696 | ( 20,283 ) | - | - |
| Cash dividends | - | 152,241 | - | 0.10 |
| Stock dividends | - | 989,567 | - | 0.65 |

China Man-Made Fiber Corporation recorded an after-tax loss in 2019. The shareholders' meeting therefore proposed on June 2, 2020 not to distribute dividends and set aside a special reserve of NT$ 4,696,000 pursuant to the Securities and Exchange Act.

The Company had resolved in the board meeting the earnings distribution of 2020 on March 15, 2021 as follows:

| | Earnings Distribution Proposal | Dividend Per Share (NTD) |
|---|---|---|
| Legal reserve | $ 90,972 | $ - |
| Special reserve | ( 6,177 ) | - |
| Cash dividends | 162,106 | 0.1 |
| Stock dividends | 648,425 | 0.4 |

The proposal for the distribution of earnings in 2020 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 2021.

For more information on the proposal approved by the board of directors of China Man-Made Fiber Corporation and the surplus distribution proposal adopted by resolution of the General Shareholders Meeting, please refer to the TWSE Market Observation Post System.

(4) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

| | ***2020*** | ***2019*** |
|---|---|---|
| Balance, beginning of year | ( $ 86,995 ) | ( $ 54,591 ) |
| The exchange differences yielded by net assets of overseas operating institutions | ( 29,246 ) | ( 32,404 ) |
| Balance, end of year | ( $ 116,241 ) | ( $ 86,995 ) |

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

| | 2020 | 2019 |
|---|---|---|

| | 2020 | 2019 |
|---|---|---|
| Balance, beginning of year | $ 382,016 | ( $ 129,103 ) |
| Accrued in current year | | |
| Unrealized gain or loss | | |
| Debt instruments | 56,180 | 12,476 |
| Equity instruments | 50,303 | 509,505 |
| Recognized share of the subsidiary adopting the equity method. | ( 1,208 ) | - |
| The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings. | ( 35,329 ) | ( 10,862 ) |
| Balance, end of year | $ 451,962 | $ 382,016 |

(5) Treasury stock

The details and changes of the treasury stocks of CMFC in 2020 and 2019 are shown as follows:

| Cause | Transfer of shares to employees (Thousand shares) | Shares of parent company held by subsidiaries (in thousand shares) | Total (thousand shares) |
|---|---|---|---|
| Number of shares on January 1, 2020 | - | 330,985 | 330,985 |
| Increase in current period | 304 | - | 304 |
| Decrease in current period | - | - | - |
| Number of shares as of December 31, 2020 | 304 | 330,985 | 331,289 |
| | | | |
| Number of shares on January 1, 2019 | - | 310,784 | 310,784 |
| Increase in current period | - | 20,201 | 20,201 |
| Decrease in current period | - | - | - |
| Number of shares as of December 31, 2019 | - | 330,985 | 330,985 |

1. The Company repurchased the Company's stock totaling 304 thousand shares, at the price of NT$1,745 thousand, pursuant to the Securities and Exchange Act in 2020.
2. As of December 31, 2020 and 2019, CMFC shares held by the subsidiaries are as follows:

| Name of Subsidiary | Quantity of Shares (Thousand Shares) | Book Value | Market Value |
|---|---|---|---|
| December 31, 2020 | | | |
| Pan Asia Chemical Corporation | 251,443 | $ 879,074 | $ 1,250,375 |
| Deh Hsing Investment Co., Ltd. | 11,172 | 25,787 | 125,133 |
| Chou Chin Industrial Co., Ltd. | 59,123 | 195,060 | 313,540 |
| Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.) | 9,247 | 35,136 | 38,936 |
| | | $ 1,135,057 | $ 1,727,984 |

| | | | |
|---|---|---|---|
| December 31, 2019 | | | |
| Pan Asia Chemical Corporation | 251,443 | $ 971,926 | $ 1,023,453 |
| Deh Hsing Investment Co., Ltd. | 11,172 | 25,787 | 92,733 |
| Chou Chin Industrial Co., Ltd. | 59,123 | 195,060 | 229,558 |
| Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.) | 9,247 | 35,136 | 28,960 |
| | | $ 1,227,909 | $ 1,374,704 |

3. According to the Securities and Exchange Act, the treasury stocks held by CMFC shall not be pledged, nor shall they be entitled to dividends distribution and voting rights. Shares of CMFC held by its subsidiaries shall be considered as treasury stocks, and except for the provisions of Article 167 and 179 of the Company Act, the rest share the same rights as the general shareholders.

(6) Non-controlling interest

| | 2020 | 2019 |
|---|---|---|
| Balance, beginning of year | $ 38,598,643 | $ 35,867,280 |
| Adjusted non-controlling interest of dividends distributed to subsidiaries | - | 15,146 |
| The number of shares attributed to non-controlling interests | | |
| Net income | 3,106,661 | 3,310,588 |
| Reevaluation of determined benefit plan | ( 27,684 ) | ( 92,309 ) |
| Financial assets at fair value through other comprehensive profit or loss | 376,845 | 301,753 |
| Exchange differences from the translation of financial statements of foreign operations | ( 66,172 ) | ( 72,910 ) |
| Disposal of part of the equity of the subsidiary. | 131,778 | - |
| Cash dividends paid by subsidiaries | ( 779,458 ) | ( 730,905 ) |
| Change in non-controlling interest | 2,061,528 | - |
| Balance, end of year | $ 43,402,141 | $ 38,598,643 |

33. Business units in continuing operation income

Income from continuing operations department includes the following items

(1) Interest income and expense

| | 2020 | 2019 |
|---|---|---|
| Interest revenue | | |
| Discount and loan interest income | $ 9,918,006 | $ 11,046,706 |
| Due from bank and interbank offered interest income | 139,603 | 158,560 |
| Security investment interest income | 1,505,616 | 1,592,043 |
| Others | 506,535 | 657,696 |
| | $ 12,069,760 | $ 13,455,005 |
| Interest expenses | | |
| Deposits Interest expenses | $ 3,008,739 | $ 3,895,512 |

| | | |
|---|---|---|
| Central Bank and interbank interest expense | 178,613 | 207,985 |
| Bond issuance interest expense | 389,100 | 643,380 |
| Interest expense on borrowings | 238,393 | 257,879 |
| Lease liability interest expenses | 37,204 | 40,665 |
| Other Interest expenses | 108,372 | 241,751 |
| | 3,960,421 | 5,287,172 |
| Less: Recognized cost of property, plant and equipment (Note 20) | - | ( 2,272 ) |
| | $ 3,960,421 | $ 5,284,900 |

(2) Fee income and expense

| | 2020 | 2019 |
|---|---|---|
| Income from handling fees | | |
| Brokerage fee revenue | $ 1,040,643 | $ 1,292,348 |
| Trust business income | 1,068,056 | 901,283 |
| Loan service fee income | 565,057 | 466,542 |
| Commission income for bank guarantee | 154,934 | 152,298 |
| Other service fee revenue | 316,764 | 339,599 |
| | $ 3,145,454 | $ 3,152,070 |
| Service charges | | |
| Commission expense | $ 76,213 | $ 93,237 |
| Inter-bank service fee | 37,004 | 35,904 |
| Other service fee expenses | 126,334 | 109,614 |
| | $ 239,551 | $ 238,755 |

The consolidated company provides custody, trust, investment management and advisory services to third parties; therefore, the consolidated company engages in the planning, management and trading decision of financial instruments. For a trust fund or investment portfolio that is commissioned for management and utilization, a separate bookkeeping is arranged and financial statements are prepared for internal management purposes, excluding the financial statements of the consolidated company.

(3) Gain (loss) on financial assets and liabilities at fair value through profit and loss

| | 2020 | 2019 |
|---|---|---|
| The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss | | |
| Commercial papers | $ 85,066 | $ 132,342 |
| Stock | 145,924 | 345,149 |
| Beneficiary certificate | ( 18,578 ) | ( 2,310 ) |
| Bonds | 1,507 | ( 2,580 ) |
| Derivatives | 72,852 | 9,206 |
| | 286,771 | 481,807 |
| The valuation gain (loss) of financial assets and liabilities measured at fair value through profit or loss | | |
| Commercial papers | ( $ 11,436 ) | ( $ 1,507 ) |
| Stock | ( 27,090 ) | 23,679 |
| Beneficiary certificate | 190,600 | 102,011 |
| PEM Group Insurance policy assets | ( 202,381 ) | 51,349 |
| Bonds | 1,428 | - |
| Open-end funds and money market instruments | 103 | ( 109 ) |
| Derivatives | ( 191,420 ) | 60,149 |
| | ( 240,196 ) | 235,572 |
| | $ 46,575 | $ 717,379 |

(4) Expected credit reversal benefit

| | 2020 | 2019 |
|---|---|---|
| Capital gain (loss) on reversal of debts instrument at fair value through comprehensive income statement as other comprehensive income | ( $ 5,318 ) | $ 113 |
| Debt of instruments measured on the basis of cost after amortization impairment loss reversal gain (loss) | ( 2,750 ) | 6,338 |
| Accounts receivable | 84,343 | 4,412 |
| | $ 76,275 | $ 10,863 |

(5) Loss in impairment of non-financial assets

| | | |
|---|---|---|
| Impairment loss of property, plant and equipment | $ 605,359 | $ - |

(6) Bad debt expense, commitment and guaranty reserve

| | 2020 | 2019 |
|---|---|---|
| Lodgment of the expenses of doubtful account receivables | $ 147,059 | $ 121,547 |
| Lodgment of the expenses of doubtful accounts for discount and loans | 298,742 | 509,127 |
| Withdrawal and deposit of guarantee responsibility reserve (reversal) | 61,500 | ( 15,226 ) |
| Provision for commitment of financing | 10,367 | 26 |
| Other provision | 1,364 | - |
| | $ 519,032 | $ 615,474 |

(7) Other income

| | 2020 | 2019 |
|---|---|---|
| Dividend income | $ 149,450 | $ 133,539 |
| Management fee income | 42,170 | 35,997 |
| Rental revenue | 33,057 | 32,704 |
| Government grants | 41,738 | - |
| Compensation income | 31,217 | - |
| Others | 69,939 | 35,257 |
| | $ 367,571 | $ 237,497 |

(8) Other expenses

| | 2020 | 2019 |
|---|---|---|
| Litigation compensation reserve | $ 64,908 | $ - |
| Others | 34,086 | 24,762 |
| | $ 98,994 | $ 24,762 |

(9) Depreciation and amortization

| | 2020 | 2019 |
|---|---|---|
| Property, plant, and equipment expenses | $ 986,952 | $ 977,344 |
| Depreciations of Investment Property | 2,272 | 1,701 |
| Intangible assets amortization expenses | 59,138 | 52,488 |
| Right-of-use assets | 266,113 | 258,860 |
| Total | $ 1,314,475 | $ 1,290,393 |

| | 2020 | 2019 |
|---|---|---|
| Consolidation of depreciation expenses based on functions | | |
| Operating cost | $ 767,028 | $ 765,407 |
| Operating expenses | 488,309 | 472,498 |
| | $ 1,255,337 | $ 1,237,905 |

Consolidation of amortization expenses based on functions

| | 2020 | 2019 |
|---|---|---|
| Operating cost | $ 55 | $ 55 |
| Operating expenses | 59,083 | 52,433 |
| | $ 59,138 | $ 52,488 |

(10) Employee benefits expenses

2020

| | Operating cost | Operating expenses | Total |
|---|---|---|---|
| Salary & wage | $ 594,465 | $ 3,687,197 | $ 4,281,662 |
| Labor insurance and national health insurance | 61,910 | 261,101 | 323,011 |
| | 656,375 | 3,948,298 | 4,604,673 |
| Pension expenses | | | |
| Defined contribution pension plan | 26,005 | 113,143 | 139,148 |
| Defined benefit plan (Note 31) | 3,462 | 17,819 | 21,281 |
| | 29,467 | 130,962 | 160,429 |
| Other employee benefits expenses | 33,005 | 254,843 | 287,848 |
| Total employee benefits expenses | $ 718,847 | $ 4,334,103 | $ 5,052,950 |

2019

| | Operating cost | Operating expenses | Total |
|---|---|---|---|
| Salary & wage | $ 619,636 | $ 3,567,662 | $ 4,187,298 |
| Labor insurance and national health insurance | 62,323 | 233,353 | 295,676 |
| | 681,959 | 3,801,015 | 4,482,974 |
| Pension expenses | | | |
| Defined contribution pension plan | 27,479 | 110,851 | 138,330 |
| Defined benefit plan (Note 31) | 4,309 | 24,765 | 29,074 |
| | 31,788 | 135,616 | 167,404 |
| Other employee benefits expenses | 36,804 | 257,890 | 294,694 |
| Total employee benefits expenses | $ 750,551 | $ 4,194,521 | $ 4,945,072 |

(11) Remuneration to employees, Directors and Supervisors

The Company appropriated 1% to 5% and no more than 0.3% of the earnings before taxation before the deduction of remuneration to the employees, Directors and Supervisors of the same year. Since the Company recorded an after-tax loss in 2019, no employee and director/supervisor compensations were allocated. Estimated employee and director/supervisor compensations in 2020 are as follows:

Estimate on ratio

| | 2020 | 2019 |
|---|---|---|
| Remuneration to employees | 1.0% | - |
| Remuneration to directors/supervisors | 0.3% | - |

Amount

| | 2020 | 2019 |
|---|---|---|
| Remuneration to employees | $ 10,778 | $ - |

| | | |
|---|---|---|
| Remuneration to directors/supervisors | $ 3,234 | $ - |

If there are still changes in the amount specified in the consolidated financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

China Man-Made Fiber Corporation held board meetings on March 16, 2020 and March 18, 2019, which adopted resolutions to approve the 2019 and 2018 employee and director/supervisor compensations as follows:

Amount

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Remuneration to employees | Remuneration to directors/supervisors | Remuneration to employees | Remuneration to directors/supervisors |
| Amount resolved by the Board of Directors for release | $ - | $ - | $ 13,673 | $ 4,102 |
| Amount recognized in financial statements of respective years | $ - | $ - | $ 13,673 | $ 4,102 |

The actual amount for remuneration to employees, Directors and Supervisors in 2019 and 2018 did not vary from the amount recognized in the consolidated financial statements of 2019 and 2018.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of China Man-Made Fiber Corporation in 2021 and 2020, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

34. Continuing department income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

| | 2020 | 2019 |
|---|---|---|
| Income tax expenses in the current period | | |
| Accrued in current year | $ 724,361 | $ 916,556 |
| Additional levy on undistributed earnings | 2,063 | 6,382 |
| Prior year adjustment | 119 | ( 832 ) |
| Land revaluation increment tax | 121,815 | - |
| Deferred tax | | |
| Accrued in current year | 21,334 | ( 386,848 ) |
| Prior year adjustment | 2,305 | - |
| Income tax expense recognized in the profit or loss | $ 871,997 | $ 535,258 |

The adjustments of 2020 and 2019 accounting income and the income tax expense of the year:

| | 2020 | 2019 |
|---|---|---|
| Income before tax from continuing operations | $ 4,920,705 | $ 3,116,082 |
| Income tax expense of net income before tax at the statutory tax rate | $ 984,141 | $ 623,216 |
| Non-deductible expenses and losses for tax purposes | 4,530 | 7,433 |
| Non-taxable income | ( 697,096 ) | ( 63,074 ) |

| | 2020 | 2019 |
|---|---|---|
| Additional levy on undistributed earnings | 2,063 | 6,382 |
| Land revaluation increment tax | 121,815 | - |
| Income tax expense of prior years adjusted in the current year | 119 | ( 832 ) |
| Deferred income tax expenses in the previous year for adjustments in the current year | 2,305 | - |
| Unrecognized loss carryforward | 453,634 | 127 |
| Temporary differences in unrecognized taxable tax | - | ( 41,691 ) |
| Effect of variation in taxation rates on the consolidation of the group and individual entities. | 486 | 3,697 |
| Income tax expense recognized in the profit or loss | $ 871,997 | $ 535,258 |

(2) Income tax recognized in the other comprehensive profit or loss

| | 2020 | 2019 |
|---|---|---|
| Deferred tax | | |
| Accrued in current year | | |
| - Re-evaluation of determined benefit plan | $ 9,127 | $ 29,500 |
| - Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss | ( 2,991 ) | ( 20,877 ) |
| Income tax benefits recognized in the other comprehensive profit or loss | $ 6,136 | $ 8,623 |

(3) Current income tax asset and liability

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current income tax asset | | |
| Tax refund receivable | $ 11,316 | $ 14,469 |
| Current Tax Liability | | |
| Payable income tax | $ 164,433 | $ 398,167 |

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2020

| Deferred income tax assets | Balance, beginning of year | Recognized in the profit or loss | Recognized in the other comprehensive profit of loss | Balance, end of year |
|---|---|---|---|---|
| Temporary difference | | | | |
| Property, plant and equipment | $ 21,962 | $ - | $ - | $ 21,962 |
| Inventory | 23,134 | - | - | 23,134 |
| Defined benefit pension plans | 333,496 | ( 16,005 ) | 9,127 | 326,618 |
| Loss allowance | 423,060 | ( 55,765 ) | - | 367,295 |
| Unrealized loss from structured note indemnity | 213,491 | 40,476 | - | 253,967 |
| Others | ( 17,886 ) | 9,957 | ( 2,991 ) | ( 10,920 ) |

| | Balance, beginning of year | Recognized in the profit or loss | Recognized in the other comprehensive profit of loss | Balance, end of year |
|---|---|---|---|---|
| | 997,257 | ( 21,337 ) | 6,136 | 982,056 |
| Loss credit | 472,152 | ( 2,302 ) | - | 469,850 |
| | $ 1,469,409 | ($ 23,639 ) | $ 6,136 | $ 1,451,906 |
| Deferred tax liabilities | | | | |
| Temporary difference | | | | |
| Allowance for land increment value tax | $ 1,021,567 | $ - | $ - | $ 1,021,567 |

2019

| | Balance, beginning of year | Recognized in the profit or loss | Recognized in the other comprehensive profit of loss | Balance, end of year |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Temporary difference | | | | |
| Property, plant and equipment | $ 34,789 | ( $ 12,827 ) | $ - | $ 21,962 |
| Inventory | 11,158 | 11,976 | - | 23,134 |
| Defined benefit pension plans | 309,329 | ( 5,333 ) | 29,500 | 333,496 |
| Loss allowance | 372,522 | 50,538 | - | 423,060 |
| Unrealized loss from structured note indemnity | 223,761 | ( 10,270 ) | - | 213,491 |
| Others | 23,276 | ( 20,285 ) | ( 20,877 ) | ( 17,886 ) |
| | 974,835 | 13,799 | 8,623 | 997,257 |
| Loss credit | 99,103 | 373,049 | - | 472,152 |
| | $ 1,073,938 | $386,848 | $ 8,623 | $ 1,469,409 |
| Deferred tax liabilities | | | | |
| Temporary difference | | | | |
| Allowance for land increment value tax | $ 1,021,567 | $ - | $ - | $ 1,021,567 |

(5) Deductible temporary differences and unused deduction of loss for deferred income tax assets are not recognized in the balance sheet.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Deductible temporary differences | | |
| Allowance to reduce inventory to market | $ 114,314 | $ 114,314 |
| Defined benefit pension plans | 7,550 | 7,550 |
| Loss credit | 2,270,174 | 98,010 |
| | $ 2,392,038 | $ 219,874 |

(6) Unused losses credit related information

Loss deduction as at December 31, 2020:

| Uncredited balance | Last year of credit |
|---|---|
| $ 63,869 | 111 years |
| 505,260 | 115 years |
| 1,788,564 | 118 years |
| 2,259,727 | 119 years |
| $ 4,617,420 | |

(7) Income tax audit

1. Approved by the Company up to 2018.
2. The Taichung Commercial Bank was audited up to the year 2018.
3. The Taichung Commercial Bank Insurance Broker Co., Ltd. was audited up to the year of 2018.
4. The Taichung Commercial Bank Lease Enterprise was audited up to the year of 2018.
5. Approved by TCB Securities up to 2018.
6. Approved by Pan Asia Chemical Corporation up to 2018.
7. Approved by De-Hsin Investment up to 2018.
8. Approved by Taichung Securities Investment Trust up to 2018.
9. Approved by Chou Chin Industrial up to 2018.
10. Approved by Ge Ling up to 2018.
11. Approved by Jeou Chang up to 2018.
12. Approved by Rui-Jia Investment up to 2018.
13. Approved by Xiang-Feng Development up to 2019.
14. Approved by Mélasse up to 2019.
15. Approved by Pan-Feng Industry up to 2018.
16. Approved by Tou-Ming Industry up to 2018.
17. Approved by Jin-Bang-Ge Industry up to 2018.

35. Earnings (losses) per share

| | 2020 | 2019 |
|---|---|---|
| Basic earnings per share (losses) | $ 0.73 | ( $ 0.57 ) |
| Diluted earnings per share (losses) | $ 0.73 | ( $ 0.57 ) |

The net income (loss) and weighted average common stock shares used for calculating earnings (deficit) per share are as follows:

Net income or loss for current period

| | 2020 | 2019 |
|---|---|---|
| Net profit (loss) attributable to the Company | $ 942,047 | ( $ 729,764 ) |

Quantity

Unit: Thousand Shares

| | 2020 | 2019 |
|---|---|---|
| Weighted average common stock shares used to calculate basic earnings per share | 1,290,198 | 1,290,382 |
| Effect of dilutive potential common stock: | | |
| Remuneration to employees | 1,332 | - |
| Weighted average common stock shares used to calculate diluted earnings per share | 1,291,530 | 1,290,382 |

36. Equity transactions of non-controlling interests.

The consolidated company disposed its 5% shares of Pan Asia Chemical Corporation, decreasing the shareholding ratio from 49% to 44% from March to May 2020.

Since the transaction referred to above did not change the control of the Consolidated Company over the subsidiaries, the Consolidated Company has it processed as an equity transaction.

Subsidiaries

| | |
|---|---|
| Consideration collected | $ 171,227 |
| The net book value of the subsidiary's assets is calculated in accordance with the relative changes in equity that should be transferred out of the non-controlling equity. | ( 131,778 ) |
| Adjustments attributable to other equity items of the shareholders of the Company. | |
| - Treasury stock trading | ( 92,852 ) |
| Equity transaction balance | ( $ 53,403 ) |
| Adjustment of equity transaction balance | |
| Additional paid-in capital-Actual disposal of part of the equity of the subsidiary | ( $ 6,270 ) |
| Undistributed earnings | ( 47,133 ) |
| | ( $ 53,403 ) |

37. Related Party Transactions

(1) Name and affilation of related parties

| Name | Affiliation |
|---|---|
| Chung Chien Investment Co., Ltd. | Investors with control |
| Pan Asia Investment Co., Ltd. | Investors with control |
| Nan Chung Petrochemical Corp. | Affiliated enterprises |
| Wei-Kang International | Affiliated enterprises |
| BONWELL PRADISE Co., Ltd | Affiliated enterprises |
| Storm Model Management | Affiliated enterprises |
| FunTeam Industrial CO., LTD | Affiliated enterprises |
| Qian Teng PR Planning (Shanghai), Co., Ltd. | Affiliated enterprises |
| Shanghai Nianjia Cultural Diffusion Co., Ltd. | Affiliated enterprises |
| Hua Nan Financial Holding | Substantial related party |
| Hua Nan Bank | Substantial related party |
| Hua Nan Insurance | Substantial related party |
| TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD. | Substantial related party |
| Hsu Tian Investment Co., Ltd | Substantial related party |
| TA YI DEVELOPMENT CO., LTD. | Substantial related party |
| Midea | Substantial related party |
| Formosa Imperial Wineseller Corp. | Substantial related party |
| Formosawine Vintners Corporation | Substantial related party |
| Da Fa Investment Company | Substantial related party |
| Sheng Jen Knitted Textiles Co., Ltd. | Substantial related party |
| Reliance Consolidated Securities Co., Ltd. | Substantial related party |
| Sheng Yuan Cher Investment Company | Substantial related party |
| Chao-Qing Investment | Substantial related party |
| Peng Hsu Investment Company | Substantial related party |
| General Pride Enterprise Co., Ltd. | Substantial related party |
| Shield Bright Investment Limited | Substantial related party |
| Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers' Welfare Commission | Substantial related party |
| Others | Key management personnel of the merged company and their spouses and relatives within the second degree of kinship |

(2) Important transactions between the Company and related parties:

1. Sales revenue

| Name | 2020 | 2019 |
|---|---|---|
| Substantial related party | $ - | $ 42 |

There are no significant differences between sales prices and collection terms for related parties of the merged company and regular customers.

2. Purchase

| Name | 2020 | 2019 |
|---|---|---|
| Nan Chung Petrochemical Corp. | $ 2,053,199 | $ 3,361,822 |

The terms and conditions of the Consolidated Company's purchase from said related parties are as same as that to the general suppliers. The general suppliers apply the A/R settlement 1 month~2 months.

3. Bank deposits and interest revenue

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Name | Balance - ending | Interest revenue | Balance - ending | Interest revenue |
| Hua Nan Bank | $ 88,304 | $ 35 | $ 132,779 | $ 115 |

4. Accounts payable to related parties

| Name | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Payable accounts and notes | | |
| Nan Chung Petrochemical Corp. | $ - | $ 307,149 |
| Substantial related party | 11 | - |
| | $ 11 | $ 307,149 |

5. Other income

| Name | 2020 | 2019 |
|---|---|---|
| Hua Nan Bank | $ 8,984 | $ 8,197 |
| TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD. | 96 | 96 |
| | $ 9,080 | $ 8,293 |

The Company's 2020 and 2019 other income from Hua Nan Commercial Bank Company pertains to the Company serving as Hua Nan Commercial Bank Co.'s institutional director has received of director/auditor remuneration and director/auditor attendance travel expense income.

6. Other Expenses

| Name | 2020 | 2019 |
|---|---|---|
| Substantial related party | $ 8,160 | $ 6,450 |

7. Pre-paid expenses

| Name | 2020 | 2019 |
|---|---|---|
| Substantial related party | $ 1,083 | $ 875 |

8. Disposal of financial assets

2020: None.

2019

| Name | Account titles in book | Number of traded shares | Transaction object | Disposal price |
|---|---|---|---|---|
| Pan Asia Investment Co., Ltd. | The financial assets measured for the fair values through other comprehensive income- non-current | 1,000 thousand shares | Taiwan Tea Corp. common shares | $ 16,576 |

The merged company sold 1 million common shares of Taiwan Tea Corporation at a transaction price of NT$ 16.65 to the related party Pan Asia in accordance with the method for trading after hours on the Open Market Stock Exchange on September 23, 2019. The proceeds minus a processing fee of NT$ 24,000 and transaction tax of NT$ 50,000 amounted to NT$ 16,576,000 (gain/loss from disposal of (548,000). Equity carried over to retained surpluses.

## 9. Loans

2020

Unit: NTD thousand

| Type | Number of accounts or name of stakeholder | Maximum Balance in Current Period | Balance - ending | Performance | | Interest revenue | Collateral Contents | Difference in trading conditions and terms with non-stakeholders |
|---|---|---|---|---|---|---|---|---|
| | | | | Normal loans | Non-performing loans | | | |
| Customer loans to employees | 13 accounts | $ 5,529 | $ 3,897 | $ 3,897 | $ - | $ 53 | Credit loans | N/A |
| Residential mortgage loans | 40 accounts | 237,517 | 156,316 | 156,316 | - | 1,645 | Real estate | " |
| Other loans | Lee OO | 2,552 | 2,414 | 2,414 | - | 35 | " | " |
| | Chang OO | 4,500 | 4,500 | 4,500 | - | 67 | " | " |
| | Liu OO | 1,911 | 1,774 | 1,774 | - | 24 | " | " |
| | Tsai OO | 5,000 | 5,000 | 5,000 | - | - | " | " |
| | Lin OO | 504 | 412 | 412 | - | - | " | " |
| | Chiu OO | 1,500 | 1,500 | 1,500 | - | 11 | " | " |
| | Fan OO | 25,932 | 4,616 | 4,616 | - | 35 | " | " |
| | Lin OO | 18,800 | 17,600 | 17,600 | - | 297 | " | " |
| | Tsai OO | 380 | 248 | 248 | - | 6 | " | " |
| | Liang OO | 886 | 767 | 767 | - | 11 | " | " |
| | Yeh OO | 33,000 | 11,000 | 11,000 | - | 153 | " | " |
| | Huang OO | 1,570 | 1,435 | 1,435 | - | 23 | " | " |
| | Chiu OO | 3,238 | 2,935 | 2,935 | - | 40 | " | " |
| | Hsu OO | 2,200 | 2,200 | 2,200 | - | 5 | " | " |

2019

Unit: NTD thousand

| Type | Number of accounts or name of stakeholder | Maximum Balance in Current Period | Balance - ending | Performance | | Interest revenue | Collateral Contents | Difference in trading conditions and terms with non-stakeholders |
|---|---|---|---|---|---|---|---|---|
| | | | | Normal loans | Non-performing loans | | | |
| Customer loans to employees | 11 accounts | $ 4,772 | $ 3,223 | $ 3,223 | $ - | $ 67 | Credit loans | N/A |
| Residential mortgage loans | 37 accounts | 187,417 | 115,535 | 115,535 | - | 1,585 | Real estate | " |
| Other loans | Lee OO | 2,685 | 2,552 | 2,552 | - | 41 | " | " |
| | Chen OO | 4,000 | - | - | - | 17 | " | " |
| | Liu OO | 2,044 | 1,911 | 1,911 | - | 29 | " | " |
| | Yang OO | 846 | - | - | - | 4 | " | " |
| | Chung OO | 12,230 | - | - | - | 154 | " | " |
| | Fan OO | 4,432 | 1,916 | 1,916 | - | 34 | " | " |
| | Lin OO | 38,000 | 18,800 | 18,800 | - | 354 | " | " |
| | Liang OO | 1,002 | 886 | 886 | - | 14 | " | " |
| | Yeh OO | 33,000 | 11,000 | 11,000 | - | 166 | " | " |
| | Huang OO | 1,701 | 1,570 | 1,570 | - | 27 | " | " |
| | Chiu OO | 3,534 | 3,238 | 3,238 | - | 49 | " | " |
| | Tsai OO | 1,529 | - | - | - | 29 | " | " |
| | Chen OO | 1,600 | - | - | - | 5 | " | " |

According to Articles 32 and 33 of the Banking Act of the Republic of China, no non-secured credit loans shall be granted to any party interested with the Bank's staff, unless they are consumer loans and loans extended to the Government Apparatus; secured credit loans shall be granted under sufficient collateral and the terms of such credit extension shall not be more favorable than those offered to other customers in the same category.

## 10. Deposit

| 2020 | 2019 |
|---|---|

| | Balance - ending | Interest Rate Collars % | Interest Expenses | Balance - ending | Interest Rate Collars % | Interest Expenses |
|---|---|---|---|---|---|---|
| Taichung Commercial Bank Workers' Welfare Commission | $ 140,183 | 0.01~ 4.80 | $ 7,151 | $ 139,771 | 0.01~ 5.09 | $ 7,258 |
| Taichung Commercial Bank Cultural and Educational Foundation | 8,202 | 0.01~ 0.84 | 72 | 8,223 | 0.01~ 1.09 | 88 |
| Formosa Imperial Wineseller Corp. | 733 | 0.04 | - | 206 | 0.08 | 1 |
| Shield Bright Investment Limited | 17,748 | 0.01 | - | - | - | - |
| Yu Hwei Technology Co., LTD. | 4 | 0.01 | - | 4 | 0.01 | - |
| Hsu Tian Investment Co., Ltd | 41,153 | 0.01~ 0.05 | 1 | 46,712 | 0.01~ 0.48 | 13 |
| Reliance Consolidated Securities Co., Ltd. | 13,748 | 0.04~ 0.55 | 96 | 13,652 | 0.08~ 0.80 | 104 |
| Peng Hsu Investment Company | 4 | 0.01 | - | 3 | 0.01 | - |
| Pan Asia Investment Co., Ltd. | 6 | 0.01 | - | 6 | 0.01 | - |
| Others | 347,616 | 0.00~4.80 | 3,851 | 321,852 | 0.00~5.09 | 4,180 |
| | $ 569,397 | | $ 11,171 | $ 530,429 | | $11,644 |

Compared to general customers, there is no major difference in deposits, except for the interest rates for bank clerks accounting for 4.80% and 5.09% in 2020 and 2019.

11. Financial bonds payable

The first issue in 2015, the first issue in 2016, the first, second, third, fourth, and fifth issue in 2017, and the first and second issue in 2018 by the Taichung Commercial Bank Co., Ltd. are non-cumulative secondary financial bonds with no expiry dates. The Concord Securities Co., Ltd. and the KGI Securities have been designated by proxy as the financial advisor for bond issuance and fundraising.

As of December 31, 2020, the financial bonds of Taichung Bank Company subscribed by the related parties through the underwriters are as follows:

| Trading Counterpart | Subscription amount | Session |
|---|---|---|
| Hsu Tian Investment Co., Ltd. | $ 4,000,000 | 1st term in 2015, 1st term in 2016, 1st and 5th term in 2017, 1st term and 2nd term in 2018 of perpetual non-accumulative subordinated debentures |
| Other related parties | 2,240,000 | The first and fourth issue in 2017, the first and second issue in 2018 are non-cumulative secondary financial bonds with no expiry dates. |

As of December 31, 2020 and 2019, Taichung Bank should pay bond interest from bank debentures to the aforementioned related parties amounting to NT$38,4132 thousand, and NT$ 40,882 thousand, respectively. The interest expenses as of December 31, 2020 and 2019 amounted to NT$ 256,575 thousand and NT$ 258,357 thousand, respectively.

(3) Rewards to management

The 2020 and 2019 total remuneration to directors and the other management are as follows:

| | 2020 | 2019 |
|---|---|---|
| Short-term employee benefits | $ 275,119 | $ 255,613 |
| Retirement benefits | 2,958 | 2,116 |
| Other long-term employee benefits | 600 | 13 |
| | $ 278,677 | $ 257,742 |

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

38. Pledged assets

The consolidated company provides assets as operation bonds, collaterals for bank borrowings, guarantee for repurchase agreement, guarantee for overdraft limit, margin for financial derivatives, guarantee for import duty and guarantee for hiring foreign workers (list them based on the book value):

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Notes receivable | $ 2,426,158 | $ 2,889,030 |
| Due from bank- time deposits | 200,000 | 200,000 |
| Due from banks-Reserves Account B | 5,000,000 | - |
| Restricted assets - Bank borrowings (list other current assets) | 595,184 | 543,795 |
| Financial assets at fair value through other comprehensive profit or loss | 986,077 | 893,516 |
| Investment of debt instrument on the basis of cost after amortization – government bonds | 920,400 | 844,900 |
| Investment under the equity method | 110,343 | 117,002 |
| Available-for-sale noncurrent assets | - | 769,610 |
| Investment property | 1,064,695 | 1,086,856 |
| Property, plant and equipment | | |
| Land | 3,411,627 | 3,411,627 |
| House and Building | 484,804 | 485,983 |

39. Significant undertakings or contingencies

In addition to the undertaking for financial products specified in Notes 8, 9 and 26, the consolidated company have had the following undertakings or contingent liabilities until December 31, 2020 and 2019:

(1) Guarantee notes issued by CMFC:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Banking facility | $ 15,551,230 | $ 18,027,828 |
| Advance payment and performance bond | 320,000 | 320,000 |
| | $ 15,871,230 | $ 18,347,828 |

(2) As of December 31, 2020 and 2019, the consolidated company has issued but not used of letters of credit are at $1,377,004 thousand and $2,424,494 thousand, respectively.

(3) CMFC and Air Liquide Far Eastern signed a gas purchase agreement, which specified the minimum purchase volume of oxygen and nitrogen. The monthly purchase is about NT$13,800 thousand, with adjustments made every April in accordance with the customer price index. The purchase volume of oxygen and nitrogen is based on the contract price. The purchase agreement has a term of 240 months. The agreement will be automatically renewed for 36 months upon expiration if neither party has objection. A 24-month notice is required for the termination of the agreement. Both parties agreed on July 1, 2014 as the effective date of the agreement.

(4) Taichung Commercial Bank has other commitments:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Undisbursed credit committee (exclusive of credit cards) | $ 143,630,068 | $ 139,176,198 |
| Credit card committee | 12,799,065 | 11,743,903 |
| Receivable guarantees | 22,879,091 | 16,485,312 |
| Trust liabilities | 65,050,103 | 67,330,687 |
| The balance of opened but unused letter of credit | 3,430,243 | 3,318,935 |

| | | |
|---|---|---|
| Not yet initiated finance lease contractual commitments during lease periods | 2,121,644 | 1,240,804 |

(5) The balance sheet and trust property catalogue of the trust account is disclosed pursuant to Article 17 of the "Enforcement Rules of Trust Enterprise Act" as follows:

Balance Sheet of Trust Accounts
December 31, 2020

| Trust assets | Amount | Trust liabilities | Amount |
|---|---|---|---|
| Bank deposits | $ 4,689,969 | Payable securities in custody | $ 2,918,386 |
| Short-term investment | 53,842,003 | Trust capital | 62,131,717 |
| Structured product investment | 1,406,286 | Net income | 1,569,531 |
| Real estate | | Deferred carry-over | ( 1,569,531 ) |
| Land | 2,056,768 | | |
| House and Building | 136,691 | | |
| Securities in custody | 2,918,386 | | |
| Total trust assets | $ 65,050,103 | Total trust liabilities | $ 65,050,103 |

Property Catalogue of Trust Accounts
December 31, 2020

| Investment | Amount |
|---|---|
| Bank deposits | $ 4,689,969 |
| Short-term investment | 53,842,003 |
| Structured product investment | 1,406,286 |
| Real estate | |
| Land | 2,056,768 |
| House and Building | 136,691 |
| Securities in custody | 2,918,386 |
| | $ 65,050,103 |

Income Statement of Trust Accounts
2020

| | Amount |
|---|---|
| Amount | |
| Interest revenue | $ 2,641,698 |
| Trust expenses | |
| Administration expenses | ( 1,072,146 ) |
| Taxation | ( 21 ) |
| Income before taxation | 1,569,531 |
| Income tax expenses | - |
| Income after taxation | $ 1,569,531 |

Balance Sheet of Trust Accounts
December 31, 2019

| Trust assets | Amount | Trust liabilities | Amount |
|---|---|---|---|
| Bank deposits | $ 3,588,759 | Payable securities in custody | $ 5,884,557 |
| Short-term investment | 54,341,837 | Trust capital | 61,446,130 |
| Structured product investment | 2,041,602 | Net income | 2,047,880 |
| Real estate | | Deferred carry-over | ( 2,047,880 ) |
| Land | 1,350,853 | | |
| House and Building | 123,079 | | |
| Securities in custody | 5,884,557 | | |
| Total trust assets | $ 67,330,687 | Total trust liabilities | $ 67,330,687 |

Property Catalogue of Trust Accounts
December 31, 2019

| Investment | Amount |
|---|---|
| Bank deposits | $ 3,588,759 |
| Short-term investment | 54,341,837 |
| Structured product investment | 2,041,602 |
| Real estate | |
| Land | 1,350,853 |
| House and Building | 123,079 |
| Securities in custody | 5,884,557 |
| | $ 67,330,687 |

Income Statement of Trust Accounts
2019

| | Amount |
|---|---|
| Amount | |
| Interest revenue | $ 2,921,019 |
| Dividend income | 27,138 |
| Trust expenses | |
| Administration expenses | ( 900,164 ) |
| Taxation | ( 113 ) |
| Income before taxation | 2,047,880 |
| Income tax expenses | - |
| Income after taxation | $ 2,047,880 |

(6) Leasing contracts and capital expenditure commitments maturity analysis

The consolidated company's leasing contract commitments include operating leases and financing leases.

The operating lease commitment meant for the minimum lease payment of the consolidated company as a lessee or lessor under the irrevocable operating lease. For operating lease contractual commitments please refer to Note 20 (5).

The term "finance lease commitments" refers to the present value of total lease investments and minimum receivable lease payments with the merged company as lessor in accordance with the finance lease terms.

Capital expenditure commitment refers to the contract signed for the capital expenditures paid to receive architecture and equipment.

In consideration of the gradually expanding scope of operations and manpower, Taichung Bank publicly invited tenders online for the new Taichung Commercial Bank Head Office construction project on February 11, 2019. On March 29, 2019, the tender was jointly awarded to Dacin Construction Co., Ltd. and Earthpower. The contract has a total value of NT$ 11.16 billion. Initiation of the project was reported on April 27, 2019. Fees charged by YSL Architects & Associates for design planning and technical supervision services amounted to NT$ 480,492,000.

Maturity analysis for finance lease contractual commitments and capital expenditure commitments with the merged company as lessor is provided below:

Total finance lease revenue

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| First year | $ 2,259,461 | $ 2,836,102 |
| Second year | 785,605 | 288,642 |
| Third year | 219,267 | 19,172 |
| Fourth year | 13,030 | 13,300 |
| Fifth year | 13,030 | 13,300 |
| More than 5 year | 171,350 | 188,431 |
| | $ 3,461,743 | $ 3,358,947 |

Present value of finance lease revenue

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| First year | $ 2,006,629 | $ 2,551,965 |
| Second year | 712,027 | 261,072 |
| Third year | 188,214 | 8,545 |
| Fourth year | 3,457 | 3,026 |
| Fifth year | 3,805 | 3,343 |
| More than 5 year | 93,881 | 97,593 |
| | $ 3,008,013 | $ 2,925,544 |

Capital expenditure commitments

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| First year | $ 3,949,454 | $ 823,970 |
| Second year | 3,309,926 | 4,580,756 |
| Third year | 1,236,643 | 3,510,676 |
| Fourth year | 14,394 | 1,233,408 |
| Fifth year | - | 71,971 |
| | $ 8,510,417 | $ 10,220,781 |

(7) O-Bank and Yuanta Bank filed a litigation in February and November, 2020 by reason of several employees receiving the aforementioned bank's assignment of claim notice and serving as the contact window in cooperation with the New Site Industries Inc., resulting in bank clerks' error and mistakenly believing the Company, Yijinyang Industries Co., Ltd., and New Brite Industries Inc. incurred transactions and continuing to lend and allocate funds, and claiming the Company and employees shall be jointly and severally liable for compensation. CMFC has commissioned a defense attorney to represent the Company in this lawsuit. Based on the lawyer's opinion, this case objectively possesses no external form of duties performed by employed persons. After the trial, the court deemed the Company's entitlement to seeking compensation from China Man-Made Fiber Corporation. The reduction or exemption of the compensation liability of China Man-Made Fiber Corporation will affect the compensation amount. China Man-Made Fiber Corporation has provisioned liability reserve for the pending litigation case. See Note 31.

(8) Regarding the return of consumer consignment litigation filed by Taichung Commercial Bank Co., Ltd. and the Pihsiang Energy Technology Co., Ltd., in the first trial, the Taichung District Court by order of 2018 chung-su-zi No. 598 on February 4, 2020 (same below) decided against Taichung Commercial Bank Co., Ltd. NT$100 million should be returned to the plaintiff (i.e. Pihsiang Energy Technology Co., Ltd.) From April 10, 2018 to the day of clearance, the interest rate of 5% per annum will be calculated. The litigation fees will be shouldered by the Taichung Commercial Bank Co., Ltd. The appointed lawyer evaluated the content of the original verdict and deemed the verdict reasons contradictory and in violation of verdict without reason. Therefore, the Taichung Commercial Bank Co., Ltd. Filed an appeal on February 27, 2020. The case is currently in progress at the Taiwan High Court Taichung Branch Court by order of 2020 chung-shang No.78. Taichung Commercial Bank Co., Ltd. has first provisioned the pending compensation in the above-mentioned litigation (statutory fruits and litigation fees) reserve in the amount of NT$14,090,000 according to the civil verdict result by order of 2018 chung-su-zi No. 598 on February 2020. The interest fees in the amount of NT$13,644,000 and other business and management fees/litigation fees in the amount of NT$446,000 are recognized.

40. Other matters

(1) The distributors for PACC provided certificates of deposits valued at NT$2,000 thousand to PACC and also provided performance bond from bank valued at NT$2,000 thousand.

(2) The consolidated company has been under the impact of the global COVID-19 pandemic. The downstream demand of the textile industry showed significant slowdown. Moreover, Sinopec's capacity in 2020 has significantly increased, resulting in the adjustment of ethylene glycol capacity depending on market conditions. The consolidated company's sales revenue decreased in 2020 compared to the same period the first year.

In coping with the impact of the pandemic, the Company has adjusted its operational strategies and has implemented strict control on inventory. In terms of raw materials, procurements are made based on order demand quantity, while the safe stock is reduced. In addition, production is scheduled based on actual orders placed by customers or agents, thereby reducing finished product stock and timely adjusting price strategies to achieve balanced production and sales. Furthermore, the Company plans to actively differentiate products on some production lines to increase revenues and profits. This is to avoid the price disadvantages of bulk specifications and competition from China and ASEAN countries. Meanwhile, impacts brought about by oil price fluctuations are reduced, including planned exports to make up for impacts arising from short-term domestic work suspension.

In view of the above, the Company shall evaluate the business and financial aspects have not been subject to major impacts. In addition to the above-mentioned measures, the Company shall continue to evaluate its ability to continue operating and possible effects arising from impairment of assets and funding risks.

41. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

With the exception of the following, the book value of financial instruments not at fair value through income statement approximated its fair value or the fair value of which could not be measured with reliability. The fair value is not disclosed.

1. Fair value bracket

December 31, 2020

| | Book Value | Fair value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial Assets | | | | | |
| Investment of debt instruments on the basis of cost after amortization | $113,544,854 | $ 89,450,493 | $ 25,317,446 | $ - | $114,767,939 |
| Financial Liabilities | | | | | |
| Financial liabilities on the basis of cost after amortization: | | | | | |
| -Financial bonds payable | 11,500,000 | - | 11,663,699 | - | 11,663,699 |

December 31, 2019

| | Book Value | Fair value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial Assets | | | | | |
| Investment of debt instruments on the basis of cost after amortization | $108,969,273 | $ 85,512,551 | $ 24,092,164 | $ - | $109,604,715 |
| Financial Liabilities | | | | | |
| Financial liabilities on the basis of cost after amortization: | | | | | |
| -Financial bonds payable | 14,000,000 | - | 14,014,140 | - | 14,014,140 |

2. Evaluation techniques and an input value of Level 2 fair value measurement

| Categories of financial instruments | Evaluation techniques and input values |
|---|---|
| Non-derivatives | The bid price in active markets is not taken as fair value. |

(2) Information on fair value – financial instruments at fair value on repetition.

1. Fair value bracket

| | December 31, 2020 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit and loss | | | | |
| Derivatives | $ - | $ 3,670,250 | $ - | $ 3,670,250 |
| Commercial papers | 24,872,947 | - | - | 24,872,947 |
| Listed stocks – domestic and emerging stock | 794,608 | 67,862 | - | 862,470 |
| Foreign TSEC/GTSM listed shares | 88,533 | - | - | 88,533 |
| Domestic non-listed (OTC) stocks | - | - | 7,508 | 7,508 |
| Beneficiary certificates of funds | 920,885 | - | - | 920,885 |
| Domestic corporate bonds | 203,112 | - | - | 203,112 |
| Others | - | 799,269 | - | 799,269 |
| Total | $26,880,085 | $ 4,537,381 | $ 7,508 | $ 31,424,974 |

| | | | | |
|---|---|---|---|---|
| Financial assets at fair value through other comprehensive profit or loss | | | | |
| Equity investment | | | | |
| - Listed stocks – domestic and emerging stock | 4,640,069 | - | - | 4,640,069 |
| - Foreign TSEC/GTSM listed shares | 311,404 | - | - | 311,404 |
| - Non listed (OTC) domestic stock | - | - | 1,230,836 | 1,230,836 |
| - Non-listed (OTC) overseas stock | - | - | 7,865 | 7,865 |
| Debt instrument | | | | |
| - Domestic corporate bonds | 26,959,132 | - | - | 26,959,132 |
| - Domestic government bonds | 5,379,466 | - | - | 5,379,466 |
| - Overseas bond | - | 3,486,270 | - | 3,486,270 |
| - Financial bonds | 2,008,865 | - | - | 2,008,865 |
| Total | $39,298,936 | $ 3,486,270 | $ 1,238,701 | $ 44,023,907 |
| Financial liabilities at fair value through profit and loss | | | | |
| Derivatives | $ - | $ 785,819 | $ - | $ 785,819 |

Reconciliation of financial instruments at Level 3 fair value:

| | Financial assets at fair value through profit and loss | | | Financial assets at fair value through other comprehensive profit or loss | | |
|---|---|---|---|---|---|---|
| Financial Assets | Derivatives | Equity instruments | Debt instruments | Equity instruments | Debt instruments | Total |
| Balance, beginning of year | $ - | $ - | $ - | $1,094,038 | $ - | $1,094,038 |
| Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss) | - | 8 | - | 159,337 | - | 159,345 |
| Purchase | - | 45,000 | - | 1,223 | - | 46,223 |
| Disposition | - | - | - | ( 15,897 ) | - | ( 15,897 ) |
| Transferred from Level 3 | - | (37,500 ) | - | - | - | ( 37,500 ) |
| Balance, end of year | $ - | $ 7,508 | $ - | $1,238,701 | $ - | $1,246,209 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit and loss | | | | |
| Derivatives | $ - | $ 2,097,080 | $ - | $ 2,097,080 |
| Commercial papers | 20,074,138 | - | - | 20,074,138 |
| Listed stocks – domestic and emerging stock | 878,084 | 36,336 | - | 914,420 |
| Foreign TSEC/GTSM listed shares | 98,199 | - | - | 98,199 |
| Beneficiary certificates of funds | 801,720 | - | - | 801,720 |
| Domestic corporate bonds | 89,816 | - | - | 89,816 |
| Others | - | 1,029,839 | - | 1,029,839 |
| Total | $ 21,941,957 | $ 3,163,255 | $ - | $ 25,105,212 |
| Financial assets at fair value through other comprehensive profit or loss | | | | |
| Equity investment | | | | |
| - Listed stocks – domestic and emerging stock | 3,319,533 | - | - | 3,319,533 |
| - Foreign TSEC/GTSM listed shares | 282,672 | - | - | 282,672 |
| - Non listed (OTC) domestic stock | - | - | 1,085,654 | 1,085,654 |
| - Non-listed (OTC) overseas stock | - | - | 8,384 | 8,384 |
| Debt instrument | | | | |
| - Domestic corporate bonds | 21,503,613 | - | - | 21,503,613 |
| - Domestic government bonds | 5,997,423 | - | - | 5,997,423 |
| - Overseas bond | - | 799,314 | - | 799,314 |
| - Financial bonds | 1,699,994 | - | - | 1,699,994 |
| Total | $ 32,803,235 | $ 799,314 | $ 1,094,038 | $ 34,696,587 |

| | | | | |
|---|---|---|---|---|
| Financial liabilities at fair value through profit and loss | | | | |
| Derivatives | $ - | $ 233,803 | $ - | $ 233,803 |

Reconciliation of financial instruments at Level 3 fair value:

| Financial Assets | Financial assets at fair value through other comprehensive profit or loss | | |
|---|---|---|---|
| | Equity instruments | Debt instruments | Total |
| Balance, beginning of year | $ 914,338 | $ - | $ 914,338 |
| Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss) | 178,880 | - | 178,880 |
| - Purchase | 820 | - | 820 |
| Balance, end of year | $ 1,094,038 | $ - | $ 1,094,038 |

In 2020 and 2019, there was no transfer of fair values measures in Level I and Level II.

2. Evaluation techniques and an input value of Level 2 fair value measurement

| Categories of financial instruments | Evaluation techniques and input values |
|---|---|
| Non-derivatives | The bid price in active markets is not taken as fair value. |
| Derivatives | |
| Options Contracts | Model Evaluation Method: The prices of execution of all contracts, market fluctuation and maturity, interest rate, and exchange rate were taken as parameters for evaluation, and were subject to evaluation using the close-box model. |
| FX swap contracts, and forwards contracts | Cash flow discount method: Estimate the future cash flow on the basis of observable forwards rate and the forwards contracts entered into, and subject to discount on the basis that could reflect the risk discount rate for respective counterparties. |
| Assets swap agreement | The calculation of the closing price of convertible bonds on the day of net bond value: net bond value shall be discounted through the adjustment of risk discount on the basis of the TAIBIR on short-term Taiwan bills compiled at TDCC on the basis of the future cash flow of convertible bonds. |
| Structured products | |
| Interest rate derivatives | Quotation of counterparties. |

3. Evaluation techniques and an input value of Level 3 fair value measurement

| Categories of financial instruments | Evaluation techniques and input values |
|---|---|
| Unlisted/OTC | Market multiple method: The fair value of the subject matter may be evaluated by comparison with the bid price of the stocks in the industry in the active market with liquidity discount ratio taken into account and the corresponding net value of multiples. |

4. The measurement of Level 3 fair value is the sensitivity analysis of the reasonable substituted assumption of fair value

The significant unobservable input value under the market multiple method adopted by the consolidated company is the liquidity discount ratio. When the ratio increases, the fair value of the investment decreases. Sensitivity analysis is compiled as follows:

| Risk factors | Changes | Effects |
|---|---|---|
| Liquidity Discount Ratio | 10% | ( $ 36,571 ) |

(3) Categories of financial instruments

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial Assets | | |
| Measured at fair values through profit and/or loss | | |
| Measured at fair value through income under compulsion | $ 31,424,974 | $ 25,105,212 |
| Financial assets on the basis of cost after amortization (Note 1) | 655,126,689 | 619,782,635 |

| | | |
|---|---|---|
| Financial assets at fair value through other comprehensive profit or loss | | |
| Equity investment | 6,190,174 | 4,696,243 |
| Debt instrument | 37,833,733 | 30,000,344 |
| | | |
| <u>Financial Liabilities</u> | | |
| Measured at fair values through profit and/or loss | 785,819 | 233,803 |
| Based on cost after amortization (Note 2) | 690,943,004 | 646,619,579 |

Note 1: The balance include cash and cash equivalent, the Central Bank deposits and interbank lending, bills and bonds purchased under resale agreements, notes receivables and accounts, other receivables, net discounts and lending, financial assets at amortized cost - Non-current, restricted assets, refundable deposits and other financial assets at amortized cost.

Note 2: Note 2: The balance include short-term loans, short-term notes payable, repurchase coupons andbonds liabilities, the Central Bank and interbank deposits, bills payable and accounts, other payables (excluding dividend payable), deposits and remittances, bills payable (including those with one-year to maturity), long-term borrowings (including those with one-year to maturity), refundable deposits and other financial liabilities measured at amortized cost.

42. <u>Purpose and policy of financial risk management</u>

The China Man-Made Fiber Co., Ltd.'s financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the consolidated company's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. The risks include market risk, credit risk and liquidity risk. The financial risks associated with the consolidated company mainly come from the key subsidiary, Taichung Commercial Bank.

The consolidated company's financial risk management objective is to achieve business objectives, the overall risk tolerance and legal restrictions in order to reach the balance of risks and returns. The main operating risks faced by the consolidated company include the credit risk on and off the financial statements, market risks (including interest rates, foreign exchange rates, equity securities and instrument price risks) and liquidity risks.

The consolidated company have the related risk management policies defined and approved by the Board of Directors in order to effectively identify, measure, monitor, and control credit risk, market risk and liquidity risk.

The Board of Directors is the highest decision-making unit of the consolidated company and assumes the ultimate responsibility for risk management. The consolidated company has established a Risk Management Commission and Risk Management Department responsible for granting risk authority and the relevant authorities to the relevant departments to ensure the successful operation of risk management. The Committee's functions are specified as follows:

(1) Review of risk management projects.
(2) The review and discussion on risk limit.
(3) Review of motions for institutionalization of risk management.
(4) Periodical report to the Board of Directors

The commissioners of the Risk Management Committee shall set the various risk management indicators by nature of business and functions of departments and Risk Management Dept. report them to the Risk Management Committee for high-ranking supervisors' reference in decision making.

1. Market risk
   (1) Source and definition of market risk

   Market risk refers to the unfavorable changes in market price causing possible losses on and off the consolidated balance sheet. The so-called market price refers to interest rates, exchange rates, equity security prices and instrument prices.

   (2) Market risk management policy

   The consolidated company's market risk management objective is to develop a sound and effective market risk management mechanism that is compatible with the Company's business scale, nature and complexity in order to ensure that the Company's risks can be properly managed and effectively identify, measure, monitor, control market risks; also, establish a balance between the tolerable risk level and the expected rate of return.

(3) Market risk management process

A. Identification and Measurement

Before the promotion and operation of new products, business activities, processes and systems, the relevant market risk should be assessed through appropriate procedures and determine whether the risk exposure is within the range of risk tolerance included for consideration. The consolidated company's responsible business units shall use business analysis or product analysis to verify the source of market risk and define market risk factors for each financial instrument as appropriate specifications.

Market risk measurement can be processed with a variety of effective measurement methods in order to properly measure risk, including but not limited to the following methods: statistical basis measurement method, sensitivity analysis, and scenario analysis. The Risk Management Department should measure the risk position daily and regularly; also, conduct stress tests regularly to measure the possible extraordinary loss amount of current positions under the simulated extreme situations or historically extreme situations.

B. Monitoring and reporting

The Risk Management Department should regularly report and make suggestions to the Risk Management Committee and the Board of Directors on the Bank's overall market risk management, including the Bank's market risk positions, risk level, profit and loss, using excess of limit and market risk management related compliance. The Business Department has defined the relevant rules governing excess of limit, stop-loss mechanism and operating procedure for excess of limit in order to effectively control the market risk. The excess of limit or exception occurring shall be reported immediately in order to exercise responsive measures.

(4) Exchange rate risk

A. Definition of exchange rate risk

Exchange rate risk refers to the gains and losses resulting from the conversion of two different currencies at different times. The consolidated company's exchange rate risk mainly arises from the spot and forward foreign exchange business. Since the consolidated company's engages in foreign exchange trading mostly to meet the need for customer's position daily; therefore, the exchange rate risk is relatively low.

B. Measurement methods and management procedures

The consolidated company manages its exchange risk by limit control whereby the limits of respective currencies during daytime trade and nighttime trade were set with the upper limit of the maximum exposure in foreign exchange authorized to personnel of different ranks for control. The upper limit for particular counterparty has also been set. The result of the monitoring and control was reported to the Risk Management Committee and the Board for discussion.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the USD/NTD, CNY/NTD, and AUD/NTD exchange rate was relatively valued/devalued by 3%, the Company and its subsidiaries' net income before tax as of December 31, 2020 and 2019 decreased/increased by NT$ 27,725 thousand and NT$ 63,682 thousand; the equity increased/decreased by NT$ 125,310 thousand and NT$ 48,665 thousand, respectively.

(5) Interest rate risk

A. Definition of interest rate risk

Interest rate risk refers to the changes in interest rates that cause changes in the fair value of the consolidated company's interest rate or losses. The main sources of risk include deposit and loan and interest-rate related marketable securities.

B. Measurement methods and management procedures

Entities in CMFC borrow funds at floating interest rates, thus the exposure to interest rate risk. Taichung Commercial Bank adopts a gap management approach to the interest rate risk, setting indicators for monitoring and regularly reports the results to the asset and liability management committee, risk management commission and the board, and makes necessary adjustments according to the overall operating conditions of the Company.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the yield curve goes up/down by 100 points, the consolidated company's net income before tax as of December 31, 2020 and 2019 increased/decreased by NT$ 749,611 thousand and NT$ 608,460 thousand; the other equity decreased/increased by NT$ 1,796,491 thousand and NT$ 2,039,615 thousand, respectively.

(6) Equity securities price risk

A. Definition of equity securities price risk

The market risk of the consolidated company's equity securities includes individual risks arising from changes in equity securities market prices and general market risks arising from changes in the overall market prices. The main sources of risk includes listed/OTC stocks and beneficiary certificates.

B. Measurement methods and management procedures

CMFC is exposed to equity price risk due to the investments in publicly traded and OTC securities. The equity investments (except for financial assets at fair value through profit or loss) are not held for trading and are considered strategic. CMFC has not actively traded such investments. The equity price risk of CMFC is mainly on the petrochemical industry equity instruments in Taiwan's exchange. Taichung Commercial Bank adopts a limit management approach to the equity price risk, ensuring that personnel at all levels conduct their transactions within an authorized amount. Stop-loss measures are also implemented, and the monitoring results are regularly presented to the risk management committee and the board for discussion.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the equity securities price up/down by 15%, the Company and its subsidiaries' net income before tax as of December 31, 2020 and 2019 increased/decreased by NT$ 258,383 thousand and NT$ 251,500 thousand; the equity decreased/increased by NT$ 1,173,260 thousand and NT$ 846,282 thousand, respectively.

(7) Sensitivity analysis is compiled as follows:

<table>
<tr><th colspan="4">December 31, 2020</th></tr>
<tr><th rowspan="2">The main risk</th><th rowspan="2">Magnitude changes</th><th colspan="2">Affected amount</th></tr>
<tr><th>Other equity</th><th>Profit and loss</th></tr>
<tr><td rowspan="2">Exchange rate risk</td><td>USD/NTD, CNY/NTD, and AUD/NTD valued by 3%, respectively.</td><td>$ 125,310</td><td>$ 27,725</td></tr>
<tr><td>USD/NTD, CNY/NTD, and AUD/NTD decreased by 3%, respectively.</td><td>( 125,310 )</td><td>( 27,725 )</td></tr>
<tr><td rowspan="2">Interest rate risk</td><td>Interest rate curve rises 100BPS</td><td>( 1,796,491 )</td><td>749,611</td></tr>
<tr><td>Interest rate curve drops 100BPS</td><td>1,796,491</td><td>( 749,611 )</td></tr>
<tr><td rowspan="2">Equity securities price risk</td><td>Equity securities price increased by 15%.</td><td>1,173,260</td><td>258,383</td></tr>
<tr><td>Equity securities price decreased by 15%.</td><td>( 1,173,260 )</td><td>( 258,383 )</td></tr>
</table>

| December 31, 2019 | | | |
|---|---|---|---|
| The main risk | Magnitude changes | Affected amount | |
| | | Other equity | Profit and loss |
| Exchange rate risk | USD/NTD, CNY/NTD, and AUD/NTD valued by 3%, respectively. | $ 48,665 | $ 63,682 |
| | USD/NTD, CNY/NTD, and AUD/NTD decreased by 3%, respectively. | ( 48,665 ) | ( 63,682 ) |
| Interest rate risk | Interest rate curve rises 100BPS | ( 2,039,615 ) | 608,460 |
| | Interest rate curve drops 100BPS | 2,039,615 | ( 608,460 ) |
| Equity securities price risk | Equity securities price increased by 15%. | 846,282 | 251,500 |
| | Equity securities price decreased by 15%. | ( 846,282 ) | ( 251,500 ) |

2. Credit risk
   (1) Source and definition of credit risk

   Credit risk refers to the financial loss inflicted on the consolidated company due to the nonperformance of contractual obligations by the customers or the counterparties. The sources of credit risk covered on and off balance sheet items. On the sheet risk, exposure to the consolidated company mainly comes from discount, loans, credit cards, due from and call loans to banks, acceptance, debt instruments, and derivatives. Off the sheet items are financial guarantee, L/C and undertaking of loans that also exposed the consolidated company to credit risk.

   (2) Credit risk management policies:

   In order to mitigate credit risk, the management of the consolidated company assigns dedicated personnel responsible for the decision on credit line, credit approval and other monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the consolidated company’s management believes that the consolidated company’s credit risk is significantly reduced.

   The consolidated company continues to assess the financial condition of the customers of accounts receivable.

   Except for the major customer Company A of the consolidated company, the consolidated company does not have a significant credit exposure to any single counterparty or any group counterparty with similar characteristics. When the counterparty is an affiliated company, the consolidated company has it defined as a counterparty with similar characteristics. The concentration of credit risk of Company A in 2020 and 2019 accounted for 0.1% and 0.2%, respectively, of the total monetary assets.

   In addition, financial products held or issued by the merged company may lead to losses due to failure of transaction counterparties or third parties to perform contract obligations. The consolidated company will evaluate credit carefully to grant loans and guarantees. The loans secured by collateral accounted for about 78% of the total loans on December 31, 2020. The proportion of financing guarantee and collateral held by commercial L/C was approximately 33%, because the collateral required by loans, loaning commitments or guarantees usually referred to cash, inventory, marketable securities or other property. In the event of the trading counterpart's or the other party's default, the consolidated company was entitled to perform compulsory execution against the collateral or other guarantees to effectively reduce the credit risk, provided that the fair value of collateral would not be taken into consideration when the maximum credit exposure was disclosed.

(3) Credit risk management procedures

Notes to the credit risk management procedures and methods of assessment of the consolidated company by businesses:

A. Loans (including commitments of financing and guarantees)

a. Judgment of significant increase of credit risk after initial recognition

The consolidated company evaluated the change in the default risk inherent to its loan assets within the perpetuity of these assets on each reporting day to determine if the credit risk increased significantly after initial recognition. For evaluation, the consolidated company considers the information (including prospective information) for justifying the significant increase of credit risk after the initial recognition. The major indicators for consideration are:

Quantified indicators

(a) Changes in external TCRI credit rating

TCRI ratings of companies listed at TWSE or TPEx corresponding to external ratings for downgrading the level to non-investment grade, which determined that the credit risk increased significantly after initial recognition.

(b) Information on delinquency

If the contracts turned delinquent for more than 1 month, it could be determined that the credit risk inherent to the financial assets has increased significantly.

Quality indicators

(a) Unfavorable change at present or as forecast to the operation, financial position or economic condition that significantly affected the debtors in performing their obligations in retirement of loans.

(b) The actual or forecasted significant change in operational results of the debtors.

(c) The credit risk of other financial instruments of particular debtor increased significantly.

b. Definition of default and financial assets with credit impairment

The consolidated company defined the agreement on financial assets as identical with the determination of credit impairment of financial assets. If any of the following are applicable, it could be determined that the financial asset has turned default with credit impairment:

Quantified indicators

(a) Changes in external TCRI credit rating

The TCRI ratings of companies listed at TWSE or TPEx rated as DEFAULT implied that credit impairment occurred after initial recognition.

(b) Information on delinquency

If the proceeds from contracts turned delinquent for more than 3 months, it could be determined that credit impairment occurred to the financial assets after initial recognition.

Quality indicators

If there is evidence implying that the borrower is unable to pay the contract amount, or indicating severe financial hardship of the borrower, such as:

(a) The debtor has gone bankrupt or had declared bankruptcy or financial restructuring.

(b) Other financial instrument contracts of the debtors have turned default.

(c) Due to the economic or contractual reasons related to the financial hardship of the debtors, the creditors gave the debtor a leeway which would otherwise not be considered for the borrowers and declared as non-performing loans.

The aforementioned default and credit impairment will be defined as applying to all financial assets held by the combined companies, and such definition is congruent with the financial assets relevant to the internal purpose of credit risk management and applied to the model for the evaluation of related impairments.

c. Measurement of anticipated credit loss

The consolidated company classified loan assets into the following combinations by the purpose of the loan, the nature of the industry, type of collaterals, and the mode of financing for the purpose of assessing anticipated credit loss:

| Product portfolio | |
|---|---|
| Corporate Finance Operation | Corporate Finance-secured |
| | Corporate Finance-non-secured |
| Consumer banking business | House loan |
| | Personal, other, secured |

| Product portfolio | |
|---|---|
| Consumer banking business | Personal, other, unsecured |
| | Credit loans |
| | Cash card |
| | Credit card |

The consolidated company measured the provision for loss of financial assets that have no significant increase in credit risk after initial recognition on the basis of anticipated credit loss over a period of 12 months. The provision for loss of financial assets that have significant increases in credit risk after initial recognition shall be measured on the basis of anticipated credit loss within the perpetuity of the financial assets.

For the measurement of anticipated credit loss, the consolidated company considers the probability of default (PD) of the debtors in 12 months ahead and the perpetuity of the loans, and includes into the Loss Given Default (LGD), then multiplies by Exposure at Default (EAD). The effect of the time value of currency is also considered in this calculation.

The probability of default is the ratio of loss in case the particular debtor acted in default. The PD and LGD adopted by Taichung Bank in the assessment of loans is based on the internal historical information of the product portfolios (such as the experience in credit loss), and also the observable information at present and the prospective macroeconomic performance in grouping the products for separate evaluation.

The consolidated company assessed the EAD by a direct evaluation method for different groups of products. In assessing the commitment of financing in 12 months and the anticipated credit loss within the perpetuity of the assets, Taichung Bank adopted the direct assessment method for different groups and considered the portion of drawdown within 12 months after the reporting day of the commitment of financing and the anticipated renewal period to determine the EAD of anticipated credit loss.

Consideration of prospective information

In assessing anticipated credit loss, the consolidated company adopted the economic factors affecting credit risks and that were relevant to anticipated credit loss, and takes prospective information into account. Prospective information is the "Economic Signal" released by the National Development Council of the ROC that served as the standard for the overall economic performance of Taiwan and relevant signals as the indicators. The signal system is classified as the expansion phase, contraction phase, and level phase. The consolidated company will based on the judgment of economic performance to adjust the probability of default and incorporate this information into the assessment of overall anticipated credit risk.

B. Debt instrument

The consolidated company will consider the historical record on the rate of default at different levels from external rating institutions, and the financial position of the debtors at present, to assess the anticipated credit loss of the investment of debt instruments for 12 months in the future or the anticipated credit loss within the perpetuity of the instruments.

The securities held by the consolidated company shall be recognized for anticipated credit loss for a period of 12 months or within the perpetuities of the securities. The consolidated company shall determine the quality of securities as follows:

A. Judgment of significant increase of credit risk after initial recognition

The consolidated company shall assess the changes in the default risk of the investment of debt instruments within the perpetuity of the instruments on each reporting day to determine if there is any significant increase of credit risk after initial recognition. For evaluation purpose, the information for justifying the significant increase of credit risk after initial recognition in consideration shall include the following indicators:

<u>Quantified indicators</u>

(a) At the time of initial recognition, the credit rating of the issuers is at investment grade and higher. However, on the financial reporting day, the credit rating of the issuers fell to non-investment grade.
(b) The credit rating of the issuers of the debt instruments for investment was non-investment grade on the initial day of recognition and such status remained unchanged.
(c) If the credit rating of the issuers is at non-investment grade and further decline on the reporting day to certain extent.

<u>Quality indicators</u>

(a) The credit rating of the issuers indicated that credit risk has increased significantly.
(b) The fair value of the investment of debt instrument underwent unfavorable significant change on the reporting day.

b. Definition of default and financial assets with credit impairment

If any of more of the following are applicable to the investment of debt instrument, it could be determined that the financial assets were default with credit impairment.

<u>Quantified indicators</u>

(a) The debt instruments were bonds with credit impairment at the time of investment.
(b) The credit rating of the issuers or the debt instruments for investment fell to the default level on the reporting day.

<u>Quality indicators</u>

(a) The issuers revised the conditions for the issuance of the debt instruments or failed to pay principal or interest as the conditions of issuance due to financial hardship.
(b) Discontinuation of operation, petition for restructuring, bankruptcy, dissolution, the disposition of major assets of the Company that significant affected continued operation of the issuers or the guarantors.

<u>Measurement of anticipated credit loss</u>

(a) For the measurement of anticipated credit loss, the consolidated company considers the probability of default (PD) of the debtors for 12 months in the future and the perpetuity of the loans, and includes into the Loss Given Default

(LGD), then multiplies by Exposure at Default (EAD). The effect of the time value of currency is also considered in this calculation.

(b) Compare the default risk of debt instruments on the reporting day and the default risk of debt instruments at the time of initial recognition, and consider the information for justifying the significant increase of default risk after initial recognition to determine if the credit risk of the financial instruments has significantly increased after initial recognition.

i. For "normal credit risk" category, estimate the anticipated amount of loss on the basis of PD in one year.

ii. For "significant increase of credit risk" category, consider the perpetuity of the assets and calculated the PD in respective perpetuity of the assets to evaluate the cash flow from contracts in relevant periods (which is the EAD). Adopt the cash flow method to evaluation the anticipate amount of credit loss. If it is impossible to assess the cash flow in relevant periods, use the EAD of the current period for the calculation.

iii. For "abnormal credit risk," the PD is 100% thereby the PD for the perpetuity of respective assets will not be necessary, but just consider the amount that could be recovered and asses the amount of overall credit loss.

iv. The PD of debt instrument has adopted the numerical value released by credit rating institutions at regular intervals, which insinuates the possibility of market fluctuation in the future.

(4) Credit risk hedge or mitigation policy

A. Collateral

Among the policies and procedures taken by the consolidated company addressing to loan operation for the reduction of credit risk, the request for collaterals from the borrowers is most common mean. The consolidated company has established the procedures for the scope of collaterals, the appraisal of the collaterals, the management and disposition of the collaterals for the protection of right of debts.

Main loan collateral categories of the Bank include the following:

a. Real estate

b. Movable property and pledge of rights

c. Assurance by external certification bodies

With a view to enhancing transaction risk protection, contracts for derivative transactions between the bank and customers stipulate that customers provide the following guarantees in accordance with the nature of the transaction:

a. Bonds for investment quotas: Bonds of different ratios are requested based on the customer credit rating

b. Bonds for high-risk transactions: Requested if customer undertakes transactions of products with implicit put options.

c. Performance bonds (trading position losses): Bonds requested for trading position losses exceeding mark-to-market upper limits determined by the Bank.

The consolidated company paid close attention to the value of the collaterals for the financial instruments, and considered the financial assets necessary for recognition of credit impairment. Information on financial assets with credit impairment and collaterals with slight potential loss is shown below:

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Total Book Value | Provision for impairment | Exposure measure (Cost after amortization) | Fair value of collaterals |
| Impaired financial assets: | | | | |
| Discounts and loans | $ 8,410,617 | ( $ 1,856,155 ) | $ 6,554,462 | $ 6,554,462 |
| Accounts receivable | 313,418 | ( 174,311 ) | 139,107 | 135,350 |

| | | | | |
|---|---|---|---|---|
| Guarantee and L/C | 93,398 | ( 36,355 ) | 57,043 | 38,599 |
| Debt instruments | 7,668 | ( 7,668 ) | - | - |
| Others | 42,651 | ( 2,555 ) | 40,096 | - |
| Total financial assets with impairment | $ 8,867,752 | ( $ 2,077,044 ) | $ 6,790,708 | $ 6,728,411 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Total Book Value | Provision for impairment | Exposure measure (Cost after amortization) | Fair value of collaterals |
| Impaired financial assets: | | | | |
| Discounts and loans | $ 9,554,442 | ( $ 2,468,257 ) | $ 7,086,185 | $ 7,086,185 |
| Accounts receivable | 315,071 | ( 165,224 ) | 149,847 | 76,067 |
| Guarantee and L/C | 182,882 | ( 58,628 ) | 124,254 | 88,672 |
| Debt instruments | 17,477 | ( 17,477 ) | - | - |
| Others | 11,000 | ( 4,025 ) | 6,975 | 6,975 |
| Total financial assets with impairment | $ 10,080,872 | ( $ 2,713,611 ) | $ 7,367,261 | $ 7,257,899 |

B. Control of credit risk limit and credit risk concentration.

For avoiding the over-concentration of risk, the consolidated company has set the credit limit of transactions with particular counterparty and particular group in its policy and procedure for lending. In the policies and procedures for investment and equity investment risk control, limit has also been set for particular party (enterprise) or particular affiliate (group) enterprises in investment. For the control of the concentration of risk of all assets, the consolidated company has set the credit limit by industry, group enterprise, country, pledge of stocks as collaterals to monitor the concentration of risk of the assets. In addition, monitoring and control of particular counterparty, group enterprise, affiliate, industry, nationality, and the country of final risk through system integration for the control of concentration of relevant risks.

C. The reinforcement of other credit

The set-off clause has been explicitly stated in the loan agreements whereby all deposits of the borrowers at the consolidated company shall be set off for covering the liabilities in the event of credit problem to reduce credit risk.

(5) Maximum exposure of credit risk for the consolidated company

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The amount of maximum credit risk exposure related to the items off the consolidated balance sheet (without the consideration of collaterals or other reinforced credit instruments and the maximum risk amount is irrevocable) is shown below:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Irrevocable undertaking of loan | $ 9,034,662 | $ 7,152,089 |
| The available credit limit after the activation of revolving credit of credit card | 12,799,065 | 11,743,903 |
| Receivable guarantees | 22,879,091 | 16,485,312 |
| The balance of opened but unused letter of credit | 3,430,243 | 3,318,935 |

The management of the consolidated company holds that the credit risk exposure of off balance sheet items could be controlled and minimized in continuation under evaluation because the consolidated company has adopted a strict evaluation process with routine evaluation after approval.

(6) Credit risk concentration of the consolidated company

Where financial instrument transactions are apparently concentrated on one person, or most of the multiple trading counterparts of financial instruments are engaged in similar business activities and possess similar economic characteristics and thereby the effects of economic or other conditions to their ability to perform the contracts are similar, the concentration of credit risk arises accordingly. The characteristics of credit risk concentration include the nature of business activities conducted by debtors. The consolidated company did not concentrate any transactions on one single customer or trading counterpart, other than similar counterparts, industrial type, and regions. The amount of contract based on concentrated credit risk:

| Counterpart | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Private enterprise | $ 258,337,959 | $ 248,612,635 |
| Natural person | 233,179,736 | 217,305,317 |
| Government Agencies | 2,000,000 | - |
| Others | 2,115,584 | 2,626,646 |
| | $ 495,633,279 | $ 468,544,598 |

| Industrial type | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Natural person | $ 233,179,736 | $ 217,305,317 |
| Manufacturer | 79,457,394 | 84,278,234 |
| Commerce | 55,547,537 | 54,445,987 |
| Real estate | 64,886,449 | 60,316,865 |
| Construction industry | 18,197,580 | 14,458,438 |
| Commercial and industrial service business | 11,949,359 | 11,490,230 |
| Financial and insurance business | 16,104,068 | 10,820,858 |
| Warehousing and information | 8,304,507 | 8,000,869 |
| Others | 8,006,649 | 7,427,800 |
| | $ 495,633,279 | $ 468,544,598 |

| Region | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Domestic | $ 464,495,184 | $ 434,606,494 |
| Territory of Asia | 18,134,544 | 18,224,815 |
| Territory of America | 9,234,010 | 11,519,422 |
| Others | 3,769,541 | 4,193,867 |
| | $ 495,633,279 | $ 468,544,598 |

| Collateral | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-secured | $ 73,988,829 | $ 73,956,256 |
| Secured | | |
| Secured by property | 373,358,179 | 352,931,718 |
| Secured by Letter of Guarantee | 17,302,660 | 15,598,868 |
| Secured by Chattel | 6,075,503 | 5,755,471 |
| Secured by bonds | 15,051,165 | 12,696,708 |
| Notes receivable | 1,656,269 | 1,582,648 |
| Secured by stocks | 4,634,756 | 2,872,996 |
| Others | 3,565,918 | 3,149,933 |
| | $ 495,633,279 | $ 468,544,598 |

(7) Write-off policy

Any non-performing loans or non-accrual loans shall be written off as bad debt after subtracting the estimated recoverable portion if one of the following conditions exists:

A. The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.

b. The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.

c. The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank's taking possession of such collateral.

d. More than two (2) years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.

E. If the monthly minimum payment for credit cards is delayed by more than six (6) months from the specified payment deadline, all advances made thereto shall be written off within three (3) months thereafter.

(8) Information on credit risk quality

A. Discounts and loans and receivables credit quality analysis

December 31, 2020

| | Discounts and loans | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | Total |
| Products by category | | | | | |
| Corporate banking | $ 222,080,175 | $ 2,875,763 | $ 5,459,606 | $ - | $230,415,544 |
| Consumer banking | 217,504,666 | 11,981,206 | 2,951,357 | - | 232,437,229 |
| Others | 23,787 | 499 | ( 346) | - | 23,940 |
| Total Book Value | 439,608,628 | 14,857,468 | 8,410,617 | - | 462,876,713 |
| Provision for impairment | ( 1,725,305 ) | ( 925,826 ) | ( 1,856,155) | - | ( 4,507,286 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | ( 1,828,105 ) | ( 1,828,105 ) |
| Total | $ 437,883,323 | $ 13,931,642 | $ 6,554,462 | ($ 1,828,105 ) | $456,541,322 |

| | Accounts receivable | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | Total |
| Products by category | | | | | |
| Corporate banking | $ 9,499,476 | $ 347,443 | $ 224,116 | $ - | $ 10,071,035 |
| Consumer banking | 2,164,465 | 23,982 | 37,115 | - | 2,225,562 |
| Others | 61,766,888 | 11 | 52,187 | - | 61,819,086 |
| Total Book Value | 73,430,829 | 371,436 | 313,418 | - | 74,115,683 |
| Provision for impairment | ( 91,312 ) | ( 9,199 ) | ( 174,311 ) | - | ( 274,822 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | ( 49,220 ) | ( 49,220 ) |
| Total | $ 73,339,517 | $ 362,237 | $ 139,107 | ($ 49,220 ) | $ 73,791,641 |

| | Irrevocable undertaking of loan | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | |
| Products by category | | | | | |
| Corporate banking | $ 7,906,111 | $ 45,900 | $ 42,651 | $ - | $ 7,994,662 |
| Consumer banking | 1,040,000 | - | - | - | 1,040,000 |
| Total Book Value | 8,946,111 | 45,900 | 42,651 | - | 9,034,662 |
| Provision for impairment | ( 54,238 ) | ( 5,349 ) | ( 2,555 ) | - | ( 62,142 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | ( 2,536 ) | ( 2,536 ) |
| Total | $ 8,891,873 | $ 40,551 | $ 40,096 | ( $ 2,536 ) | $ 8,969,984 |

| | Credit card committee | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | |
| Products by category | | | | | |
| Consumer banking | $ 12,726,008 | $ 73,057 | $ - | $ - | $ 12,799,065 |
| Total Book Value | 12,726,008 | 73,057 | - | - | 12,799,065 |
| Provision for impairment | ( 4,730 ) | ( 1,856 ) | - | - | ( 6,586 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | ( 796 ) | ( 796 ) |
| Total | $ 12,721,278 | $ 71,201 | $ - | ( $ 796 ) | $ 12,791,683 |

| | Receivable guarantees | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | |
| Products by category | | | | | |
| Corporate banking | $ 22,707,521 | $ 78,172 | $ 93,398 | $ - | $ 22,879,091 |
| Total Book Value | 22,707,521 | 78,172 | 93,398 | - | 22,879,091 |
| Provision for impairment | ( 168,958 ) | ( 4,799 ) | ( 36,355 ) | - | ( 210,112 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | ( 25,851 ) | ( 25,851 ) |
| Total | $ 22,538,563 | $ 73,373 | $ 57,043 | ( $ 25,851 ) | $ 22,643,128 |

| | The payment of opened but unused letter of credit | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
| Products by category | | | | | |
| Corporate banking | $ 3,360,243 | $ 70,000 | $ - | $ - | $ 3,430,243 |
| Total Book Value | 3,360,243 | 70,000 | - | - | 3,430,243 |
| Provision for impairment | ( 9,157 ) | ( 3,263 ) | - | - - | ( 12,420 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | ( 677) | ( 677 ) |
| Total | $ 3,351,086 | $ 66,737 | $ - | ( $ 677) | $ 3,417,146 |

December 31, 2019

| | Discounts and loans | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
| Products by category | | | | | |
| Corporate banking | $ 216,003,227 | $ 3,305,915 | $ 6,117,319 | $ - | $ 225,426,461 |
| Consumer banking | 199,516,196 | 13,565,815 | 3,437,092 | - | 216,519,103 |
| Others | 24,321 | 2,135 | 31 | - | 26,487 |
| Total Book Value | 415,543,744 | 16,873,865 | 9,554,442 | - | 441,972,051 |
| Provision for impairment | ( 1,776,628 ) | ( 852,354 ) | ( 2,468,257 ) | - | ( 5,097,239 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | ( 1,476,478 ) | ( 1,476,478 ) |
| Total | $ 413,767,116 | $ 16,021,511 | $ 7,086,185 | ( $ 1,476,478 ) | $ 435,398,334 |

| | Accounts receivable | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
| Products by category | | | | | |
| Corporate banking | $ 10,696,826 | $ 526,388 | $ 230,201 | $ - | $ 11,453,415 |
| Consumer banking | 873,412 | 30,693 | 33,988 | - | 938,093 |
| Others | 51,333,927 | 236 | 50,882 | - | 51,385,045 |
| Total Book Value | 62,904,165 | 557,317 | 315,071 | - | 63,776,553 |
| Provision for impairment | ( 95,880 ) | ( 11,625 ) | ( 165,224 ) | - | ( 272,729 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | ( 23,828 ) | ( 23,828) |

| | | | | | |
|---|---|---|---|---|---|
| Total | $ 62,808,285 | $ 545,692 | $ 149,847 | ($ 23,828 ) | $ 63,479,996 |

| | Irrevocable undertaking of loan | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | |
| Products by category | | | | | |
| Corporate banking | $ 7,015,489 | $ - | $ 11,000 | $ - | $ 7,026,489 |
| Consumer banking | 125,600 | - | - | - | 125,600 |
| Total Book Value | 7,141,089 | - | 11,000 | - | 7,152,089 |
| Provision for impairment | ( 44,515 ) | - | ( 4,025 ) | - | ( 48,540 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | ( 5,435 ) | ( 5,435 ) |
| Total | $ 7,096,574 | $ - | $ 6,975 | ($ 5,435 ) | $ 7,098,114 |

| | Credit card committee | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | |
| Products by category | | | | | |
| Consumer banking | $ 11,670,034 | $ 73,869 | $ - | $ - | $ 11,743,903 |
| Total Book Value | 11,670,034 | 73,869 | - | - | 11,743,903 |
| Provision for impairment | ( 4,245 ) | ( 1,848 ) | - | - | ( 6,093 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | ( 3,289 ) | ( 3,289 ) |
| Total | $ 11,665,789 | $ 72,021 | $ - | ($ 3,289 ) | $ 11,734,521 |

| | Receivable guarantees | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | | |
| Products by category | | | | | |
| Corporate banking | $ 16,287,614 | $ 14,864 | $ 182,834 | $ - | $ 16,485,312 |
| Total Book Value | 16,287,614 | 14,864 | 182,834 | - | 16,485,312 |
| Provision for impairment | ( 109,720 ) | ( 1,778 ) | ( 58,621 ) | - | ( 170,119 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | ( 4,344 ) | ( 4,344 ) |
| Total | $ 16,177,894 | $ 13,086 | $ 124,213 | ($ 4,344 ) | $ 16,310,849 |

| | The payment of opened but unused letter of credit | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | Total |
| Products by category | | | | | |
| Corporate banking | $ 3,318,887 | $ - | $ 48 | $ - | $ 3,318,935 |
| Total Book Value | 3,318,887 | - | 48 | - | 3,318,935 |
| Provision for impairment | ( 9,638 ) | - | ( 7 ) | - | ( 9,645 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | ( 2,233 ) | ( 2,233 ) |
| Total | $ 3,309,249 | $ - | $ 41 | ( $ 2,233 ) | $ 3,307,057 |

B. Credit quality analysis on investment of debt instruments

December 31, 2020

| | Financial assets at fair value through other comprehensive profit or loss | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Total |
| Product category (Note) | | | | |
| Investment grade bonds | $ 37,854,441 | $ - | $ - | $ 37,854,441 |
| Non-investment grade bonds | - | - | - | - |
| Total Book Value | 37,854,441 | - | - | 37,854,441 |
| Provision for impairment | ( 20,708 ) | | | ( 20,708 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - |
| Total | $ 37,833,733 | $ - | $ - | $ 37,833,733 |

| | Financial assets on the basis of cost after amortization | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Total |
| Product category (Note) | | | | |
| Investment grade bonds | $ 48,601,326 | $ - | $ - | $ 48,601,326 |
| Non-investment grade bonds | | - | 7,668 | 7,668 |
| Other (Central Bank NCD) | 64,970,000 | - | - | 64,970,000 |
| Total Book Value | 113,571,326 | - | 7,668 | 113,578,994 |
| Provision for impairment | ( 26,472 ) | - | ( 7,668 ) | ( 34,140 ) |
| Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" | - | - | - | - |
| Total | $ 113,544,854 | $ - | $ - | $ 113,544,854 |

Note Bond rating is based on Moody's, Fitch, S&P and Taiwan Ratings, in order to obtain the current credit ratings.

The consolidated company's debt instruments are financial assets at fair value through other comprehensive income and financial assets measured at amortized cost:

| | Measured at fair values through other comprehensive income | Measured on the basis of cost after amortization |
|---|---|---|
| Total Book Value | $ 37,437,409 | $ 113,578,994 |
| Loss allowance | ( 20,708 ) | ( 34,140 ) |
| Cost after amortization | $ 37,416,701 | $ 113,544,854 |
| Fair value adjustment | 417,032 | - |
| | $ 37,833,733 | $ 113,544,854 |

The current credit risk evaluation approach of the Consolidated Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

| Credit rating | Definition | Basis for recognizing expected credit losses | Expected credit loss rate | Total book value of December 31, 2020<br>Measured at fair values through other comprehensive income | Measured on the basis of cost after amortization |
|---|---|---|---|---|---|
| Normal (Stage 1) | The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows. | Anticipated credit loss in 12 months | 0.00%~0.44% | $ 37,437,409 | $ 113,571,326 |
| Abnormal (Stage 2) | Significant increase of credit risk after initial recognition | Lifetime expected credit loss (no credit impairment) | | - | - |
| Default (Stage 3) | Evidence of credit impairment | Lifetime expected credit loss (with credit impairment) | 100% | - | 7,668 |
| Write-off | There is evidence that the debtor is facing serious financial difficulties and the consolidated company cannot reasonably expect recovery. | Direct write-off | | - | - |

With respect to the consolidated company's debt instrument investments at fair value through other comprehensive income and measured at amortized cost, the information regarding the changes in loss allowance based on credit risk ratings are summarized as follows:

| | Credit rating<br>Normal (12-month expected credit loss) | Abnormal (lifetime expected credit loss and no credit impairment) | Breach of contract (lifetime expected credit loss and with credit impairment) |
|---|---|---|---|
| Financial assets at fair value through other comprehensive profit or loss | | | |
| Balance as of January 1, 2020 | $ 15,405 | $ - | $ - |

| | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|
| Changes to credit ratings of debt instruments recognized at the beginning of the year | | | |
| - Normal turns into Abnormal | - | - | - |
| - Abnormal turns into Default | - | - | - |
| - Default turns into Write-off | - | - | - |
| Purchase new debt instruments | 8,900 | - | - |
| de-recognition | ( 4,556 ) | - | - |
| Changes in model/risk parameters | - | - | - |
| Foreign exchange settlement and other changes | 959 | - | - |
| Loss allowance as of December 31, 2020 | $ 20,708 | $ - | $ - |

| Financial assets on the basis of cost after amortization | | | |
|---|---|---|---|
| Balance as of January 1, 2020 | $ 24,185 | $ - | $ 17,477 |
| Changes to credit ratings of debt instruments recognized at the beginning of the year | | | |
| - Normal turns into Abnormal | - | - | - |
| - Abnormal turns into Default | - | - | - |
| - Default turns into Write-off | - | - | - |
| Purchase new debt instruments | 1,777 | - | - |
| de-recognition | ( 2,178 ) | - | ( 9,136 ) |
| Changes in model/risk parameters | - | - | - |
| Foreign exchange settlement and other changes | 2,688 | - | ( 673 ) |
| Loss allowance as of December 31, 2020 | $ 26,472 | $ - | $ 7,668 |

December 31, 2019

| | Financial assets at fair value through other comprehensive profit or loss | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Total |
| Product category (Note) | | | | |
| Investment grade bonds | $ 30,015,749 | $ - | $ - | $ 30,015,749 |
| Non-investment grade bonds | - | | - | - |
| Total Book Value | 30,015,749 | - | - | 30,015,749 |
| Provision for impairment | ( 15,405 ) | - | - | ( 15,405 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for | - | - | - | - |

| | | | | |
|---|---|---|---|---|
| Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | | | | |
| Total | $ 30,000,344 | $ - | $ - | $ 30,000,344 |

| | Financial assets on the basis of cost after amortization | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| | Anticipated credit loss in 12 months | Credit loss within the perpetuity of financial assets | Credit loss within the perpetuity of financial assets | Total |
| Product category (Note) | | | | |
| Investment grade bonds | $ 49,458,458 | $ - | $ - | $ 49,458,458 |
| Non-investment grade bonds | - | - | 17,477 | 17,477 |
| Other (Central Bank NCD) | 59,535,000 | - | - | 59,535,000 |
| Total Book Value | 108,993,458 | - | 17,477 | 109,010,935 |
| Provision for impairment | ( 24,185 ) | - | ( 17,477 ) | ( 41,662 ) |
| Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - |
| Total | $ 108,969,273 | $ - | $ - | $ 108,969,273 |

Note Bond rating is based on Moody's, Fitch, S&P and Taiwan Ratings, in order to obtain the current credit ratings.

The consolidated company's debt instruments are financial assets at fair value through other comprehensive income and financial assets measured at amortized cost:

| | Measured at fair values through other comprehensive income | Measured on the basis of cost after amortization |
|---|---|---|
| Total Book Value | $ 29,857,621 | $ 109,010,935 |
| Loss allowance | ( 15,405 ) | ( 41,662 ) |
| Cost after amortization | 29,842,216 | 108,969,273 |
| Fair value adjustment | 158,128 | - |
| | $ 30,000,344 | $ 108,969,273 |

The current credit risk evaluation approach of the Consolidated Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

| | | | | Total book value of December 31, 2019 | |
|---|---|---|---|---|---|
| Credit rating | Definition | Basis for recognizing expected credit losses | Expected credit loss rate | Measured at fair values through other comprehensive income | Measured on the basis of cost after amortization |
| Normal (Stage 1) | The debtors’ credit risk is low and also has sufficient capability to pay off contractual cash flows. | Anticipated credit loss in 12 months | 0.00%~0.45% | $ 29,857,621 | $108,993,458 |
| Abnormal (Stage 2) | Significant increase of credit risk after initial recognition | Lifetime expected credit loss (no credit impairment) | | - | - |
| Default (Stage 3) | Evidence of credit impairment | Lifetime expected credit loss (with credit impairment) | 100% | - | 17,477 |

| | | | | |
|---|---|---|---|---|
| Write-off | There is evidence that the debtor is facing serious financial difficulties and the consolidated company cannot reasonably expect recovery. | Direct write-off | - | - |

With respect to the consolidated company's debt instrument investments at fair value through other comprehensive income and measured at amortized cost, the information regarding the changes in loss allowance based on credit risk ratings are summarized as follows:

| | Credit rating | | |
|---|---|---|---|
| | Normal (12-month expected credit loss) | Abnormal (lifetime expected credit loss and no credit impairment) | Breach of contract (lifetime expected credit loss and with credit impairment) |
| Financial assets at fair value through other comprehensive profit or loss | | | |
| Balance as of January 1, 2019 | $ 15,525 | $ - | $ - |
| Changes to credit ratings of debt instruments recognized at the beginning of the year | | | |
| - Normal turns into Abnormal | - | - | - |
| - Abnormal turns into Default | - | - | - |
| - Default turns into Write-off | - | - | - |
| Purchase new debt instruments | 2,910 | - | - |
| de-recognition | ( 2,142 ) | - | - |
| Changes in model/risk parameters | - | - | - |
| Foreign exchange settlement and other changes | ( 888 ) | - | - |
| Loss allowance as of December 31, 2019 | $ 15,405 | $ - | $ - |
| Financial assets on the basis of cost after amortization | | | |
| Balance as of January 1, 2019 | $ 30,685 | $ - | $ 74,444 |
| Changes to credit ratings of debt instruments recognized at the beginning of the year | | | |
| - Normal turns into Abnormal | - | - | - |
| - Abnormal turns into Default | - | - | - |
| - Default turns into Write-off | - | - | - |
| Purchase new debt instruments | 2,017 | - | - |
| de-recognition | ( 800 ) | - | ( 56,967 ) |
| Changes in model/risk parameters | | - | - |
| Foreign exchange settlement and other changes | ( 7,717 ) | - | - |
| Loss allowance as of December 31, 2019 | $ 24,185 | $ - | $ 17,477 |

3. Liquidity risk

(1) Sources and definitions of liquidity risk

The consolidated company's current liability exceeds its current assets of NT$104,751,697 thousand. The consolidated company currently has unused borrowing limit sufficient to meet all contractual obligations, so there is no liquidity risk with being unable to raise funds to perform contractual obligations.

Liquidity risks of the merged company mainly stem from Taichung Bank. The term “liquidity risks” refers to potential losses generated by the inability of Taichung Bank to acquire capital to fund increases in assets or repay liabilities as they come due (e.g., withdrawals by depositors, credit drawdowns, other interest or expenses, or cash outflows associated with off-balance sheet transactions); measures to replenish capital and increase liquidity include sufficient cash-on-hand, immediately realizable securities, spread deployment, absorbed deposits, or financing loan channels.

(2) Taichung Bank liquidity risk management policies may be described as follows:

Taichung Bank develops capital movement strategies by adopting a conservative approach. It effectively spreads funding sources and deadlines, participates in the capital call market, maintains close contact with fund providers, and keeps fund-raising channels open to ensure a stable and reliable source of capital.

Taichung Bank has formulated relevant norms and regulations governing operating procedures for risk identification, measurement, monitoring, and reporting. The Company has established a limit monitoring mechanism and has set management indicators for liquidity ratios and cash flow gaps. It maintains a firm grasp of potential warning signals and conducts regular stress tests. Analysis of crisis scenarios with assumed impacts on capital flows serves as a reference for the assessment of liquidity buffer levels. Response measures are adopted in a timely manner.

The Asset and Liability Management Committee (hereinafter referred to as "This Committee") is the dedicated management unit of Taichung Bank for liquidity risks. The Committee must adopt monitoring procedures as required based on liquidity risk management policies to ensure adequate liquidity and sufficient capital under normal conditions and specific stress scenarios and thereby guarantee fulfillment of the Company's payment obligations. The Committee must report regularly to the board of directors to ensure effective management of liquidity risks.

Non-derivative financial liabilities maturity analysis

The analysis on the cash outflow of the consolidated company's non-derivative liabilities is based on the remaining period from the consolidated balance sheet date to the contract maturity date as follows: The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

| December 31, 2020 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Due to Central Bank and other banks | $ 6,349,048 | $ 520,616 | $ 730 | $ 166,944 | $ - | $ 7,037,338 |
| Bills and bonds sold under repurchase agreements | 500,808 | 1,800,700 | - | - | - | 2,301,508 |
| Shot-term borrowings | 2,342,034 | 4,626,276 | 1,491,893 | 4,180,870 | 2,028,267 | 14,669,340 |
| Short-term notes payable | 1,760,000 | 1,520,000 | 310,000 | - | - | 3,590,000 |
| Long-term borrowings | 33,000 | 648,685 | 1,718,710 | 1,027,893 | 4,114,374 | 7,542,662 |
| Payables | 5,812,611 | 1,441,515 | 451,608 | 473,430 | 273,148 | 8,452,312 |
| Customer deposits and remittances | 45,141,230 | 72,625,586 | 74,402,845 | 159,652,783 | 284,366,247 | 636,188,691 |
| Financial bonds payable | - | - | - | 64,553 | 11,500,000 | 11,564,553 |
| Lease liabilities | 26,610 | 53,004 | 77,851 | 146,607 | 1,049,192 | 1,353,264 |
| Other matured capital outflow items | 585,305 | 50,793 | 40,947 | 158,947 | 322,063 | 1,158,055 |

| December 31, 2019 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Due to Central Bank and other banks | $ 4,760,161 | $ 1,599,224 | $ 730 | $ 166,945 | $ - | $ 6,527,060 |
| Bills and bonds sold under repurchase agreements | 6,870,766 | 3,548,335 | - | - | - | 10,419,101 |
| Shot-term borrowings | 2,263,275 | 4,609,648 | 2,564,105 | 4,555,960 | 122,781 | 14,115,769 |
| Short-term notes payable | 2,395,000 | 400,000 | 250,000 | - | - | 3,045,000 |
| Long-term borrowings | 20,400 | 388,368 | 264,060 | 2,162,128 | 5,458,168 | 8,293,123 |
| Payables | 5,872,132 | 902,102 | 514,835 | 515,999 | 341,478 | 8,146,546 |
| Customer deposits and remittances | 44,914,960 | 65,567,852 | 74,710,831 | 150,260,795 | 247,580,817 | 583,035,255 |
| Financial bonds payable | - | - | 2,501,005 | 68,701 | 11,500,000 | 14,069,706 |
| Lease liabilities | 21,558 | 51,996 | 64,496 | 103,859 | 879,936 | 1,121,845 |
| Other matured capital outflow items | 145,015 | 27,790 | 74,584 | 114,448 | 400,737 | 762,574 |

Derivative financial liabilities maturity analysis

(1) Derivative instruments cleared and settled at net value

The consolidated company's derivatives that are settled and cleared at net value include:

FX derivatives: FX forwards and options

It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated balance sheet. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at net amount maturity analysis:

| December 31, 2020 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at fair value through profit and loss | | | | | | |
| Foreign exchange derivatives | $ 24,773 | $ 44,804 | $ 43,391 | $ 69,429 | $ - | $182,397 |
| Total | $ 24,773 | $ 44,804 | $ 43,391 | $ 69,429 | $ - | $182,397 |

| December 31, 2019 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at fair value through profit and loss | | | | | | |
| Foreign exchange derivatives | $ 8,052 | $ 26,392 | $ 25,784 | $ 26,322 | $ - | $ 86,550 |
| Total | $ 8,052 | $ 26,392 | $ 25,784 | $ 26,322 | $ - | $ 86,550 |

(2) Derivatives cleared and settled at total value

The consolidated company's derivatives that are settled at total value include:

Foreign exchange derivatives: Forward foreign exchange and foreign exchange swaps.

Illustrate the consolidated company's derivatives that are settled at total value in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated balance sheet. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at total value maturity analysis:

| December 31, 2020 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at fair value through profit and loss | | | | | | |
| Foreign exchange derivatives | | | | | | |
| - Cash outflow | $ 2,614,662 | $ 3,270,267 | $ 2,811,080 | $ 3,880,455 | $ - | $12,576,464 |
| - Cash inflow | 2,594,219 | 3,212,438 | 2,682,555 | 3,698,415 | - | 12,187,627 |
| Subtotal of cash outflow | 2,614,662 | 3,270,267 | 2,811,080 | 3,880,455 | - | 12,576,464 |
| Subtotal of cash inflow | 2,594,219 | 3,212,438 | 2,682,555 | 3,698,415 | - | 12,187,627 |
| Net cash flow | ($ 20,443) | ($ 57,829) | ($ 128,525) | ($ 182,040) | $ - | ($ 388,837) |

| December 31, 2019 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Derivative financial liabilities at fair value through profit and loss | | | | | | |
| Foreign exchange derivatives | | | | | | |
| - Cash outflow | $ 1,104,025 | $ 1,907,146 | $ 2,013,035 | $ 929,481 | $ - | $ 5,953,687 |
| - Cash inflow | 1,087,564 | 1,876,039 | 1,974,123 | 904,147 | - | 5,841,873 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Subtotal of cash outflow | 1,104,025 | 1,907,146 | 2,013,035 | 929,481 | - | 5,953,687 |
| Subtotal of cash inflow | 1,087,564 | 1,876,039 | 1,974,123 | 904,147 | - | 5,841,873 |
| Net cash flow | ( $ 16,461 ) | ( $ 31,107 ) | ( $ 38,912 ) | ( $ 25,334 ) | $ - | ( $ 111,814 ) |

4. The maturity analysis of items not on the statement

The analysis on the maturity date of the items not on the consolidated company's balance sheet in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. For financial guarantee contracts issued, the earliest time period that maximum amounts of the guarantee may be requested for guarantee performance. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

| December 31, 2020 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Uundisbursed credit committee | $ 7,704,768 | $ 19,126,700 | $ 29,632,011 | $ 62,958,367 | $ 37,007,287 | $ 156,429,133 |
| The balance of opened but unused letter of credit | 979,316 | 2,071,735 | 347,453 | 31,739 | - | 3,430,243 |
| Receivable guarantees | 6,861,342 | 5,126,641 | 705,627 | 2,513,448 | 7,672,033 | 22,879,091 |
| Lease contract commitments | 1,814,198 | 222,188 | 10,582 | 64,393 | 10,283 | 2,121,644 |
| Total | $ 17,359,624 | $ 26,547,264 | $ 30,695,673 | $ 65,567,947 | $ 44,689,603 | $ 184,860,111 |

| December 31, 2019 | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|---|
| Uundisbursed credit committee | $ 10,197,687 | $ 17,979,600 | $ 27,233,146 | $ 64,306,327 | $ 31,203,341 | $ 150,920,101 |
| The balance of opened but unused letter of credit | 985,636 | 1,955,514 | 276,456 | 101,329 | - | 3,318,935 |
| Receivable guarantees | 2,095,901 | 5,829,509 | 1,215,728 | 1,878,103 | 5,466,071 | 16,485,312 |
| Lease contract commitments | 963,551 | 252,675 | 7,727 | 16,851 | - | 1,240,804 |
| Total | $ 14,242,775 | $ 26,017,298 | $ 28,733,057 | $ 66,302,610 | $ 36,669,412 | $ 171,965,152 |

5. Cash flow risk estimated under interest rate changes

The future cash flow of assets and liabilities estimated based on mobile interest rate held and borne by the Consolidated Company might fluctuate and even generate risk due to the market interest rate changes. However, upon evaluation, the Consolidated Company, in practice, tends to control the net liquidity gap to reduce the cash flow risk resulting from the interest rate changes.

43. Information on transfer of financial assets

Transferred financial assets not being removed in all

In the routine transaction of the consolidated company, financial assets did not qualified under all the conditions have been transferred. Most are debt securities with R/P agreement or equity securities lent under the securities lending agreement. The cash flows from the contract of the aforementioned transactions received by the consolidated company have been transferred to a third party and reflected related liabilities of the consolidated company in the responsibility of repurchasing the financial assets already transferred at fixed price in the future. For this type of transactions, the consolidated company cannot use, sell or pledge the financial assets already transferred within the effective period of the trade, but the consolidated company shall still assume interest risk and credit risk and is not being removed in whole. The table below shows the financial assets not qualified under all conditions and related financial liabilities:

| December 31, 2020 | | | | | |
|---|---|---|---|---|---|
| Category of financial assets | Book value of transferred financial assets | Book value of related financial liabilities | Fair value of transferred financial assets | Fair value of related financial liabilities | Net fair value position |
| Financial assets on the basis of cost after amortization | | | | | |
| R/P agreement | $ 2,342,355 | $ 2,300,077 | $ 2,392,483 | $ 2,300,077 | $ 92,406 |

| December 31, 2019 | | | | | |
|---|---|---|---|---|---|
| Category of financial assets | Book value of transferred financial assets | Book value of related financial liabilities | Fair value of transferred financial assets | Fair value of related financial liabilities | Net fair value position |
| Financial assets on the basis of cost after amortization R/P agreement | $ 11,011,466 | $ 10,369,025 | $ 11,123,977 | $ 10,369,025 | $ 754,952 |

44. Offsetting of financial assets and liabilities

The consolidated company does not have transactions of offsetting financial instruments specified by IAS 32.42 as recognized by the FSC. The financial assets and liabilities related to such type of transactions are expressed in net on the balance sheet. The consolidated company has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party breaches the contract, the counterparty can choose to use net settlement.

December 31, 2020

| Financial Assets | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities offset in the balance sheet | Net amounts of financial assets presented in the balance sheet | Related amounts not offset in the balance sheet | | Net |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Reverse repurchase and securities borrowing agreement | $12,773,121 | $ - | $12,773,121 | $12,773,121 | $ - | $ - |

| Financial Liabilities | Gross amounts of recognized financial liabilities | Gross amounts of recognized financial assets offset in the balance sheet | Net amounts of financial liabilities presented in the balance sheet | Related amounts not offset in the balance sheet | | Net |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral pledged | |
| Repurchase and securities lending agreement | $ 2,300,077 | $ - | $ 2,300,077 | $ 2,300,077 | $ - | $ - |

December 31, 2019

| Financial Assets | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities offset in the balance sheet | Net amounts of financial assets presented in the balance sheet | Related amounts not offset in the balance sheet | | Net |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Reverse repurchase and securities borrowing agreement | $10,256,716 | $ - | $10,256,716 | $10,256,716 | $ - | $ - |

| Financial Liabilities | Gross amounts of recognized financial liabilities | Gross amounts of recognized financial assets offset in the balance sheet | Net amounts of financial liabilities presented in the balance sheet | Related amounts not offset in the balance sheet | | Net |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral pledged | |
| Repurchase and securities lending agreement | $10,369,025 | $ - | $10,369,025 | $10,369,025 | $ - | $ - |

45. Information to be disclosed pursuant to Article 16 of the "Regulations Governing the Preparation of Financial Reports by Public Banks"

(1) Asset quality

| Type | | | December 31, 2020 NPL amount (Note 1) | Total amount | NPL rate (Note 2) | Allowance for bad debt | Allowance for bad debt coverage rate (Note 3) | December 31, 2019 NPL amount (Note 1) | Total amount | NPL rate (Note 2) | Allowance for bad debt | Allowance for bad debt coverage rate (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Corporate banking | Secured | | 452,737 | 153,180,159 | 0.30% | 1,532,063 | 338.40% | 596,122 | 146,760,794 | 0.41% | 1,560,901 | 261.84% |
| | Non-secured | | 96,665 | 77,217,829 | 0.13% | 2,597,748 | 2,687.37% | 156,327 | 78,622,829 | 0.20% | 3,005,494 | 1,922.57% |
| Consumer banking | Residential mortgage loans (Note 4) | | 55,380 | 57,329,436 | 0.10% | 905,827 | 1,635.66% | 164,457 | 55,404,669 | 0.30% | 863,083 | 524.81% |
| | Cash card | | - | 10 | - | 1 | - | - | 30 | - | 3 | - |
| | Small credit loans (Note 5) | | 456 | 893,160 | 0.05% | 82,028 | 17,988.60% | 2,676 | 840,780 | 0.32% | 86,721 | 3,240.70% |
| | Others (Note 6) | Secured | 361,301 | 150,343,195 | 0.24% | 831,404 | 230.11% | 428,694 | 144,347,108 | 0.30% | 692,342 | 161.50% |
| | | Non-secured | 16,001 | 22,789,618 | 0.07% | 385,922 | 2,411.86% | 34,021 | 15,039,986 | 0.23% | 364,775 | 1,072.21% |
| Total amount | | | 982,540 | 461,753,407 | 0.21% | 6,334,993 | 644.76% | 1,382,297 | 441,016,196 | 0.31% | 6,573,319 | 475.54% |

| Type \ Item | December 31, 2020 NPL amount | Balance of receivable accounts | NPL rate | Allowance for bad debt | Allowance for bad debt coverage rate | December 31, 2019 NPL amount | Balance of receivable accounts | NPL rate | Allowance for bad debt | Allowance for bad debt coverage rate |
|---|---|---|---|---|---|---|---|---|---|---|
| Credit card | 3,192 | 742,507 | 0.43% | 27,906 | 874.25% | 2,568 | 786,214 | 0.33% | 22,982 | 894.94% |
| Non-recourse factoring (Note 7) | - | 154,805 | - | 5,805 | - | - | 694,997 | - | 10,538 | - |

NPL or non-performing receivable accounts exempted from report

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Total NPL exempted from report | Total non-performing receivable accounts exempted from report | Total NPL exempted from report | Total non-performing receivable accounts exempted from report |
| Amount exempted from report upon debt negotiation and performance (Note 8) | 1,568 | 820 | 2,114 | 1,100 |
| Performance of debt clearance program and rehabilitation program (Note 9) | 8,303 | 19,280 | 9,635 | 17,396 |
| Total | 9,871 | 20,100 | 11,749 | 18,496 |

Note 1: The NPL amount is recognized according to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The credit card NPL is recognized based on that provided under the Letter Jin-Guan-Yin (4) Zi No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/accounts receivable balance

Note 3: NPL Coverage Ratio = Allowance for bad debt appropriated for loans/Non-performing amount. Non-performing credit card receivables coverage ratio = Allowance for bad debt appropriated for credit card receivables/non-performing amount.

Note 4: Borrowers apply for residential mortgage loans for the purpose of purchasing or building residences or decorating houses. The loans shall be secured by the residence purchased (owned) by the borrower himself/herself, or his/her spouse or minor children in full, and the mortgage shall be pledged to the financial institution.

Note 5: Small credit loans mean those provided in the Letter under Jin-Guan-Yin (4) Zi No. 09440010950 dated December 19, 2005 and those other than small loans by credit cards/cash cards.

Note 6: The “Other” consumer finance refers to the secured or unsecured consumer finance loans other than the “residential mortgage loans”, “cash cards”, and “small credit loans”, excluding credit cards.

Note 7: According to the Letter under Jin-Guan-Yin (5) Zi No. 094000494 dated July 19, 2005, factoring without recourse shall be recognized as NPL within three months after the factoring Consignee or insurance company confirms that no compensation should be granted.

Note 8: Total NPL exempted from report upon debt negotiation and performance and the balance of total non-performing receivable accounts exempted from report upon debt negotiation and performance were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09510001270 dated April 25, 2006.

Note 9: The balance of total NPL exempted from report upon performance of debt clearance program and rehabilitation program and balance of total non-performing receivable accounts exempted from report upon performance of debt clearance program and rehabilitation program were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09700318940 dated September 15, 2008.

(2) Status of credit risk concentration

December 31, 2020 Unit: NTD thousand

| Rank (Note 1) | Business type of company or group (Note 2) | Total amount of outstanding loans (Note 3) | % of the total equity as of December 31, 2020 |
|---|---|---|---|
| 1 | Group A 010892 Noodle products manufacturing | $ 4,673,280 | 8.15% |
| 2 | Group B 016700 Real estate development | 2,453,570 | 4.28% |
| 3 | Group C 016700 Real estate development | 2,448,265 | 4.27% |
| 4 | Group D 016700 Real estate development | 2,349,850 | 4.10% |
| 5 | Group E 016811 Real estate lease and sale | 2,257,493 | 3.94% |
| 6 | Group F 012411 Iron and steel manufacturing | 1,839,582 | 3.21% |
| 7 | Group G 016700 Real estate development | 1,833,471 | 3.20% |
| 8 | Group H 015500 Accommodation service | 1,761,013 | 3.07% |
| 9 | Group I 012699 other electronic parts and components manufacturing without classification | 1,608,781 | 2.81% |
| 10 | Group I 014612 Wholesale of brick and tiles, gravels, cement, and their products. | 1,370,909 | 2.39% |

December 31, 2019 Unit: NTD thousand

| Rank (Note 1) | Business type of company or group (Note 2) | Total amount of outstanding loans (Note 3) | % of the total equity as of December 31, 2019 |
|---|---|---|---|
| 1 | Group A 010892 Noodle products manufacturing | $ 2,665,813 | 5.20% |
| 2 | Group B 016700 Real estate development | 2,525,418 | 4.92% |
| 3 | Group C 016700 Real estate development | 2,503,343 | 4.88% |
| 4 | Group D 016700 Real estate development | 2,390,690 | 4.66% |
| 5 | Group E 016811 Real estate lease and sale | 2,375,429 | 4.63% |
| 6 | Group F 012411 Iron and steel manufacturing | 2,283,081 | 4.45% |
| 7 | Group G 016700 Real estate development | 2,115,000 | 4.12% |
| 8 | Group H 015500 Accommodation service | 2,085,229 | 4.06% |
| 9 | Group I 012699 other electronic parts and components manufacturing without classification | 1,799,897 | 3.51% |
| 10 | Group I 014612 Wholesale of brick and tiles, gravels, cement, and their products. | 1,550,001 | 3.02% |

Note 1: The top ten enterprises other than public or state enterprises were identified according to rank of the total balance of loans to these enterprises. If the account refers to a group, the loan to the group should be identified and summed up, and disclosed in the form of "code" and "business type". In the case of group, the business type of the group with the maximum exposure should be disclosed. The business type shall be specified in "detailed item" according to the business classification defined by Directorate General of Budget, Accounting and Statistics (e.g. Company (Group) A, real estate development).

Note 2: The enterprises mean those defined in Article 6 of "Supplementary Rules of TSEC's Criteria for Reviewing Listing of Marketable Securities".

Note 3: The balance of total credit extension means the total balance of the various loans (including import negotiation, export negotiation, discount, overdraft, short-term loans, short-term secured loans, receivable securities financing, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, Delinquent loans), inward remittances, factoring without recourse, Acceptances receivable and guarantee payments.

(3) Interest rate sensitivity information

Interest rate sensitivity assets and liabilities analysis data (NTD)

December 31, 2020

Unit: NTD thousand, %

| Item | 1 to 90 days (inclusive) | 91 to 180 days (inclusive) | 181 days to 1 year (inclusive) | Over 1 year | Total |
|---|---|---|---|---|---|
| Interest rate sensitivity assets | 494,400,748 | 11,473,341 | 12,395,589 | 89,911,813 | 608,181,491 |
| Interest rate sensitivity liabilities | 141,248,259 | 332,636,992 | 104,373,534 | 7,963,232 | 586,222,017 |
| Interest rate sensitivity gap | 353,152,489 | ( 321,163,651 ) | ( 91,977,945) | 81,948,581 | 21,959,474 |
| Net value | | | | | 57,321,753 |
| Interest rate sensitivity assets and liabilities rate | | | | | 103.75% |
| Interest rate sensitivity gap and net worth rate | | | | | 38.31% |

Interest rate sensitivity assets and liabilities analysis data (NTD)
December 31, 2019

Unit: NTD thousand, %

| Item | 1 to 90 days (inclusive) | 91 to 180 days (inclusive) | 181 days to 1 year (inclusive) | Over 1 year | Total |
|---|---|---|---|---|---|
| Interest rate sensitivity assets | 463,217,920 | 7,445,473 | 9,154,304 | 86,858,937 | 566,676,634 |
| Interest rate sensitivity liabilities | 145,583,754 | 290,922,949 | 99,916,922 | 5,351,959 | 541,775,584 |
| Interest rate sensitivity gap | 317,634,166 | ( 283,477,476 ) | ( 90,762,618) | 81,506,978 | 24,901,050 |
| Net value | | | | | 51,309,206 |
| Interest rate sensitivity assets and liabilities rate | | | | | 104.60% |
| Interest rate sensitivity gap and net worth rate | | | | | 48.53% |

Note: 1. The table specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in NT$)

Interest rate sensitivity assets and liabilities analysis data (USD)
December 31, 2020

Unit:USD thousand; %

| Item | 1 to 90 days (inclusive) | 91 to 180 days (inclusive) | 181 days to 1 year (inclusive) | Over 1 year | Total |
|---|---|---|---|---|---|
| Interest rate sensitivity assets | 1,301,782 | 251,958 | 97,215 | 346,387 | 1,997,342 |
| Interest rate sensitivity liabilities | 446,709 | 1,232,085 | 310,522 | - | 1,989,316 |
| Interest rate sensitivity gap | 855,073 | ( 980,127 ) | ( 213,307 ) | 346,387 | 8,026 |
| Net value | | | | | 2,039,993 |
| Interest rate sensitivity assets and liabilities rate | | | | | 100.40% |
| Interest rate sensitivity gap and net worth rate | | | | | 0.39% |

Interest rate sensitivity assets and liabilities analysis data (USD)
December 31, 2019

Unit:USD thousand; %

| Item | 1 to 90 days (inclusive) | 91 to 180 days (inclusive) | 181 days to 1 year (inclusive) | Over 1 year | Total |
|---|---|---|---|---|---|
| Interest rate sensitivity assets | 1,210,594 | 231,333 | 26,028 | 436,459 | 1,904,414 |
| Interest rate sensitivity liabilities | 781,756 | 909,543 | 216,067 | - | 1,907,366 |
| Interest rate sensitivity gap | 428,838 | ( 678,210 ) | ( 190,039 ) | 436,459 | ( 2,952 ) |
| Net value | | | | | 1,710,307 |
| Interest rate sensitivity assets and liabilities rate | | | | | 99.85% |
| Interest rate sensitivity gap and net worth rate | | | | | ( 0.17% ) |

Note: 1. This table reports the total amount, in US$, held by the headquarters and domestic branches of Taichung Commercial Bank, its international financial business branches and overseas branches, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.

4. Four. Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in US$)

(4) Profitability:

Unit: %

| Item | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Return on assets | Before Income Tax | 0.67 | 0.75 |
| | After Income Tax | 0.57 | 0.64 |
| ROE | Before Income Tax | 8.59 | 10.22 |
| | After Income Tax | 7.41 | 8.72 |
| Net profit rate | | 37.52 | 38.88 |

Note: 1. ROA = Income before (after) taxation/Average total assets
2. ROE=Income before (after) taxation / Average net worth
3. Profit (loss) rate = Income after taxation/income-net
4. Income before (after) taxation means the income accumulated from January of the current year until the current quarter

(5) Analysis on maturity of assets and liabilities

Analysis of maturity structure of NTD
December 31, 2020

Unit: NTD thousand

| | Total | Remaining balance to maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0 to 10 days | 11 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year |
| Main capital inflow upon maturity | 660,315,443 | 91,325,237 | 54,943,741 | 32,175,308 | 53,461,993 | 105,310,358 | 323,098,806 |
| Main capital outflow upon maturity | 782,299,588 | 27,709,161 | 30,881,366 | 82,879,363 | 103,396,608 | 188,375,958 | 349,057,132 |
| Gap | (121,984,145) | 63,616,076 | 24,062,375 | (50,704,055) | (49,934,615) | (83,065,600) | (25,958,326) |

Analysis of maturity structure of NTD
December 31, 2019

Unit: NTD thousand

| | Total | Remaining balance to maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0 to 10 days | 11 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year |
| Main capital inflow upon maturity | 609,292,349 | 85,555,035 | 43,772,344 | 29,767,509 | 51,719,298 | 97,885,687 | 300,592,476 |
| Main capital outflow upon maturity | 726,163,310 | 24,967,880 | 30,412,825 | 72,406,095 | 98,591,847 | 192,988,476 | 306,796,187 |
| Gap | (116,870,961) | 60,587,155 | 13,359,519 | (42,638,586) | (46,872,549) | (95,102,789) | (6,203,711) |

Note: The table only specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.

Analysis of maturity structure of USD
December 31, 2020

Unit: USD thousand

| | Total | Remaining balance to maturity | | | | |
|---|---|---|---|---|---|---|
| | | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year |
| Main capital inflow upon maturity | 2,453,883 | 324,701 | 263,584 | 348,501 | 333,487 | 1,183,610 |
| Main capital outflow upon maturity | 3,092,693 | 437,764 | 787,792 | 584,280 | 986,987 | 295,870 |
| Gap | ( 638,810 ) | ( 113,063 ) | ( 524,208 ) | ( 235,779 ) | ( 653,500 ) | 887,740 |

Analysis of maturity structure of USD
December 31, 2019

Unit: USD thousand

| | Total | Remaining balance to maturity | | | | |
|---|---|---|---|---|---|---|
| | | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to 1 year | More than 1 year |
| Main capital inflow upon maturity | 2,159,517 | 287,818 | 258,938 | 239,853 | 141,120 | 1,231,788 |
| Main capital outflow upon maturity | 2,795,533 | 559,115 | 765,666 | 551,532 | 752,039 | 167,181 |
| Gap | ( 636,016 ) | ( 271,297 ) | ( 506,728 ) | ( 311,679 ) | ( 610,919 ) | 1,064,607 |

Note: 1. The table specifies the total amount in USD of Taichung Bank Head Office, local branches and International Banking Branch. Unless otherwise provided, it shall be stated at the Book Value, and it is not necessary to include any accounts that are not stated in the table (e.g. negotiable certificates of deposit, bonds or stocks scheduled to be issued).
2. Where offshore assets account for more than 10% of the Company's total assets, it is necessary to provide supplementary disclosure.

46. Capital risk management

The consolidated company manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation.

The capital structure of the consolidated company consists of the net debt (borrowings less cash and cash equivalents) and the interests (equity, capital reserve, retained earnings and other equity items) of the Company's owners.

Among the merged companies, in addition to Taichung Commercial Bank Co., Ltd. Corporation that has minimum capital requirements by law, the other companies are not required to comply with other external capital regulations. The Taichung Commercial Bank Co., Ltd.'s qualified self-owned capital sufficiently meets regulatory requirements and reach the minimum statutory capital adequacy ratio. Relevant qualified self-owned capital and statutory capital shall be handled according to provisions of competent authorities.

The management of the consolidated company re-examines the Group's capital structure on a quarterly basis, including considering various capital costs and the related risks. The consolidated company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

## 47. Information about foreign exchange of foreign currency financial assets and liabilities

The information about foreign currency financial assets and liabilities rendering material effect on the Consolidated Company:

| December 31, 2020 | USD | RMB | JPY | AUD | EURO | Other foreign currencies | Total |
|---|---|---|---|---|---|---|---|
| Foreign currency financial assets | | | | | | | |
| Cash and cash equivalents | $ 4,722,500 | $ 502,582 | $ 384,202 | $ 135,056 | $ 217,136 | $ 496,071 | $ 6,457,547 |
| Due from Central Bank and lend to Banks | 73,057 | 86,340 | - | - | - | 374,987 | 534,384 |
| Financial assets at fair value through profit and loss | 1,189,924 | - | - | - | 3,509 | 90,688 | 1,284,121 |
| Financial assets at fair value through other comprehensive profit or loss | 1,736,382 | 1,928,804 | - | 132,488 | - | - | 3,797,674 |
| Discounts and loans | 31,203,325 | 1,112,690 | 413,612 | 81,659 | 1,176,027 | 1,017,500 | 35,004,813 |
| Accounts receivable | 1,363,200 | 2,971,928 | 209,852 | 14,156 | 445,269 | 68,749 | 5,073,154 |
| Assets measured on the basis of cost after amortization | 18,565,402 | 3,842,754 | - | 1,428,655 | - | 941,953 | 24,778,764 |
| Other assets | 495,580 | 86,340 | - | - | - | 1 | 581,921 |
| Foreign currency financial liabilities | | | | | | | |
| Due to Central Bank and banks | 702,478 | - | 408,753 | - | - | - | 1,111,231 |
| Funds borrowed from Central Bank and other banks | - | 2,222,528 | - | - | - | - | 2,222,528 |
| Customer deposits and remittances | 54,085,876 | 4,231,763 | 635,885 | 2,261,598 | 563,925 | 2,236,821 | 64,015,868 |
| Financial liabilities at fair value through profit and loss | 304,098 | 36,706 | - | - | 3,780 | 2,154 | 346,738 |
| Payables | 1,095,773 | 204,444 | 198,722 | 162,732 | 61,890 | 59,780 | 1,783,341 |
| Lease liabilities | - | 41,981 | - | - | - | 5,529 | 47,510 |
| Bills and bonds sold under repurchase agreements | 1,096,485 | - | - | - | - | - | 1,096,485 |
| Liability reserve | 21,174 | - | - | - | - | - | 21,174 |
| Other liabilities | 109,079 | 7,932 | 234 | | 8,518 | | 125,763 |
| Taiwan Dollar exchange rates | 28.48 | 4.38 | 0.28 | 21.95 | 35.02 | | |

| December 31, 2019 | USD | RMB | JPY | AUD | EURO | Other foreign currencies | Total |
|---|---|---|---|---|---|---|---|
| Foreign currency financial assets | | | | | | | |
| Cash and cash equivalents | $ 3,314,754 | $ 1,181,883 | $ 1,035,072 | $ 369,682 | $ 150,899 | $ 389,872 | $ 6,442,162 |
| Due from Central Bank and lend to Banks | 60,000 | 94,754 | - | 273,260 | - | - | 428,014 |
| Financial assets at fair value through profit and loss | 1,249,165 | 14,669 | - | 210 | - | - | 1,264,044 |
| Financial assets at fair value through other comprehensive profit or loss | 1,081,986 | - | - | - | - | - | 1,081,986 |
| Discounts and loans | 34,318,741 | 877,054 | 369,279 | 78,956 | 414,949 | 848,924 | 36,907,903 |
| Accounts receivable | 2,870,828 | 3,283,338 | 161,925 | 39,577 | 109,455 | 70,775 | 6,535,898 |
| Assets measured on the basis of cost after amortization | 19,180,305 | 2,368,093 | - | 1,282,208 | - | 959,972 | 23,790,578 |
| Other assets | 196,186 | 86,140 | - | - | - | - | 282,326 |
| Foreign currency financial liabilities | | | | | | | |
| Due to Central Bank and banks | 1,490,060 | - | - | - | 100,860 | 9,940 | 1,600,860 |
| Funds borrowed from Central Bank and other banks | 114,000 | 2,502,533 | - | - | - | - | 2,616,533 |
| Customer deposits and remittances | 47,488,086 | 5,630,709 | 678,269 | 2,278,560 | 539,523 | 1,838,341 | 58,453,488 |
| Financial liabilities at fair value through profit and loss | 104,773 | - | - | 300 | 65 | - | 105,138 |
| Payables | 864,310 | 213,257 | 111,876 | 8,857 | 126,869 | 116,283 | 1,441,452 |
| Lease liabilities | - | 48,951 | - | - | - | 7,726 | 56,677 |
| Bills and bonds sold under repurchase agreements | 8,366,270 | - | - | - | - | - | 8,366,270 |
| Liability reserve | 28,552 | - | - | - | - | - | 28,552 |
| Other liabilities | 73,580 | 9,505 | 1,803 | - | 3,343 | - | 88,231 |
| Taiwan Dollar exchange rates | 29.98 | 4.31 | 0.28 | 21.01 | 33.59 | | |

The consolidated company's gain on foreign currency exchange (realized and unrealized) in 2020 and 2019 were NT$231,31 thousand and NT$200,438 thousand, respectively. Due to the wide variety of foreign currency transactions, it is difficult to disclose all exchange gains or losses based impact significance.

## 48. Disclosures

## 1. Loans to others:

Unit: NTD thousand, unless otherwise noted

| Item No. (Note 1) | Lender | Borrower | Transaction title (Note 2) | Are they related parties | Maximum balance – current period (Note 3) | Balance - ending (Note 8) | The actual amounts disbursed | Interest Rate Collars | Nature of Loan (Note 4) | Amount of Business Transaction (Note 5) | Reasons necessary for offering short-term loan (Note 6) | Amount of allowance for bad debt | Collateral | | Limit of loan to particular borrower (Note 7) | Total limit of financing (Note 7) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | | |
| 1 | Taichung Commercial Bank Lease Enterprise | Yuanli Engineering Co., Ltd. | Other receivables | No | $16,298 | $ - | $ - | 4%-10% | Necessary for offering short-term loan | $ - | Working capital | $ - | N/A | $ - | $ 193,100 | $ 772,402 | Note 9 |
| 1 | Taichung Commercial Bank Lease Enterprise | Kuang Ming Shipping | 〃 | 〃 | 42,150 | - | - | 4%-10% | 〃 | - | 〃 | - | Refundable deposits | 20,000 | 193,100 | 772,402 | 〃 |
| 1 | Taichung Commercial Bank Lease Enterprise | Wisdom Marine International Inc. | 〃 | 〃 | 75,177 | - | - | 3.5%-10% | 〃 | - | 〃 | - | N/A | - | 193,100 | 772,402 | 〃 |
| 1 | Taichung Commercial Bank Lease Enterprise | Baohong Construction Co., Ltd. | 〃 | 〃 | 114,260 | - | - | 4%-10% | 〃 | - | 〃 | - | Real estate | 64,244 | 193,100 | 772,402 | 〃 |
| 1 | Taichung Commercial Bank Lease Enterprise | Megaful Co., Ltd. | 〃 | 〃 | 128,263 | 121,829 | 95,224 | 4%-10% | 〃 | - | 〃 | 952 | Real estate | 111,829 | 193,100 | 772,402 | 〃 |
| 1 | Taichung Commercial Bank Lease Enterprise | DA FANG SKILL COLOR MARKETING CONSULTANT CO., LTD. | 〃 | 〃 | 180,000 | 178,152 | 178,152 | 4%-10% | 〃 | - | 〃 | 1,782 | Real estate | 180,000 | 193,100 | 772,402 | 〃 |
| 1 | Taichung Commercial Bank Lease Enterprise | TRYIIT CO., LTD. | 〃 | 〃 | 180,000 | 176,081 | 176,081 | 4%-10% | 〃 | - | 〃 | 1,761 | Real estate | 372,093 | 193,100 | 772,402 | 〃 |
| 1 | Taichung Commercial Bank Lease Enterprise | TCCBL Co., Ltd. (B.V.I.) | Other receivable - related parties | Yes | 9,804 | 9,390 | 9,390 | - | 〃 | - | 〃 | 94 | N/A | - | 193,100 | 772,402 | 〃 |
| 2 | TCCBL Co., Ltd. (B.V.I.) | CROSS BORDER PROFITS LIMITED | Other receivables | No | 23,262 | 5,395 | 5,395 | 4%-10% | 〃 | - | 〃 | 26 | Refundable deposits | 2,810 | 78,105 | 312,418 | Note 10 |
| 3 | Taichung Commercial Bank Leasing (Suzhou) Ltd. | Zhangjiajie Zhongjun Real Estate | Loan by mandate | 〃 | 14,276 | - | - | 9.6% | 〃 | - | Capital Expenditures | - | Real estate | 232,729 | 294,625 | 294,625 | Note 11 |
| 4 | Chou Chin Industrial Co., Ltd. | Noble House Glory | Related party receivables | Yes | 35,000 | - | - | % | 〃 | - | Working capital | - | N/A | - | 343,500 | 686,999 | Note 12 |
| 4 | Chou Chin Industrial Co., Ltd. | Noble House Glory | 〃 | 〃 | 42,000 | 42,000 | 42,000 | 2% | 〃 | - | 〃 | - | N/A | - | 343,500 | 686,999 | Note 12 |
| 5 | Yuju Universal Corporation | Noble House Glory | 〃 | 〃 | 2,074 | - | - | 2% | 〃 | - | 〃 | - | N/A | - | 3,252 | 6,504 | Note 13 |
| 6 | GREENWORLD FOOD CO., LTD. | Noble House Glory | Other receivables | 〃 | 5,000 | 5,000 | - | 2% | 〃 | - | 〃 | - | N/A | - | 39,112 | 78,225 | Note 14 |

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 7 | Bomy Shanghai | Shanghai Bangyi International Trading Co., Ltd. | Related party receivables | 〃 | 130,830 | 130,830 | 130,830 | 5% | 〃 | - | 〃 | - | N/A | - | 239,222 | 239,222 | Note 15 |

Note 1: The column for numbering is elaborated below:
(1) Fill in 0 for the issuer.
(2) The investees are sequentially numbered from 1 and so forth.

Note 2: The receivables-affiliates, receivables-related parties, shareholders accounts, prepayments, temporary payments and others as stated in book shall be filled in here if they are classified as financing.

Note 3: Maximum balance of financing a third party in current period.

Note 4: Specify if the nature of financing is for business transactions or short-term financing is necessary.

Note 5: If the nature of financing is for business transactions, specify the amount of business transactions. The amount of business transactions shall be the amount of business conducted between the lender and the beneficiary of financing.

Note 6: If it is necessary for short-term financing, specify the reasons and the beneficiary of financing and the use of the fund, such as: retirement of loans, procurement of equipment, and working capital.

Note 7: Specify the Procedure for Financing Third Parties and the upper limit of financing in favor of particular beneficiary and the total limit of financing, and also the method for the calculation of the upper limit of financing in favor of particular beneficiary and the total limit of financing in the space provided in this field.

Note 8: For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the amount approved by the Board but not yet being drawn shall still be included in the amount for announcement for the disclosure of risk being assumed. If the loans are being retired in the future, disclose the outstanding balance to reflect the adjustment of risk. For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" whereby the Board resolved to authorize the Chairman to effect the drawdown or in revolving credit in tranches within specific limit and in the year, the amount and the limit approved by the Board shall still be announced as the outstanding balance. In subsequent retirement of loans, repeated drawdown shall still be considered and the amount and the limit approved by the Board shall still be announced as the outstanding balance.

Note 9: The loaning of TCB Leasing Co., Ltd. to a particular enterprise shall be up to 10% of the net worth of the Company. The total amount of loaning of funds shall not exceed 40% of the net worth of TCB Leasing Co., Ltd.

Note 10: The loaning of TCCBL Co., Ltd. (B.V.I.) to a particular enterprise shall not exceed 10% of the net worth of TCCBL Co., Ltd. (B.V.I.) The total amount of loaning of funds shall not exceed 40% of the net worth of TCCBL Co., Ltd. (B.V.I.).

Note 11: The loaning of TC Bank Financing and Leasing (Suzhou) Co., Ltd. to a particular enterprise shall be up to 40% of the net worth of the Company. The total amount of loaning of funds shall not exceed 40% of the net worth of Taichung Commercial Bank Finance Lease (Suzhou) Co., Ltd.

Note 12: The total amount of funds lent by Chou Chin Industrial Co., Ltd. to a single enterprise must not exceed 20% of the net worth of Chou Chin. Total loan amounts must not exceed 40% of the net worth of Chou Chin.

Note 13: The total amount of funds lent by Yuju Universal Corporation to a single enterprise must not exceed 20% of the net worth of Yuju Universal Corporation. Total loan amounts must not exceed 40% of the net worth of Yuju Universal Corporation.

Note 14: The total amount of funds lent by GREENWORLD FOOD CO., LTD. to a single enterprise must not exceed 20% of the net worth of GREENWORLD FOOD CO., LTD. Total loan amounts must not exceed 40% of the net worth of GREENWORLD FOOD CO., LTD.

Note 15: The total amount of funds lent by Shanghai Bomy Food to a single enterprise must not exceed 80% of the net worth of Shanghai Bomy Food. Total loan amounts must not exceed 80% of the net worth of Bomy Shanghai.

2. Endorsements/guarantees to others:

Unit: NTD thousand, unless otherwise noted

| Item No. | Name of Endorser/ Guarantor | Endorsed/Guaranteed | | Limit of endorsement/ guarantee to a single enterprise (Note 1) | Maximum balance in current period (Note 3) | Balance-ending | The actual amounts disbursed | Endorsement/guarantee with collateral | Accumulated amount of endorsement/guarantee in proportion to the net worth stated in the financial statements of the most recent period | Upper limit of endorsement / guarantee (Note 2) | Guarantee and endorsement of parent company to subsidiary (Note 4) | Guarantee and endorsement by subsidiary to parent company (Note 4) | Guarantee and endorsement in Mainland China (Note 4) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Company name | Affiliation | | | | | | | | | | |
| 1 | Chou Chin Industrial Co., Ltd. | GREENWORLD FOOD CO., LTD. | Subsidiary of Chou Chin Industrial Co., Ltd. | $ 858,749 | $ 15,000 | $ 15,000 | $ - | $ - | - | $ 1,717,498 | — | — | — |
| 2 | Taichung Commercial Bank Lease Enterprise | TCCBL Co., Ltd. (B.V.I.) | 100% and directly owned subsidiary | 11,586,024 | 942,289 | 632,228 | - | - | 32.74 | 19,310,040 | — | — | — |
| 2 | Taichung Commercial Bank Lease Enterprise | Taichung Commercial Bank Leasing (Suzhou) Ltd. | 100% and indirectly owned subsidiary | 11,586,024 | 2,124,584 | 2,050,765 | 1,705,122 | - | 106.21 | 19,310,040 | — | — | Y |

Note 1: Chou Chin Industrial stipulated in its Operating Procedures for Endorsement Guarantee that its endorsement guarantee for an enterprise shall not exceed 50% of the net value of the latest financial statements. If the guarantee is for business transaction relationships, the amount shall not exceed the total transaction in the most recent year. Taichung Bank Leasing stipulated in its Operating Procedures for Endorsement Guarantee that its endorsement guarantee for an enterprise shall not exceed six times the net value of the latest financial statements.

Note 2: Chou Chin Industrial stipulated in its Operating Procedures for Endorsement Guarantee that its total endorsement guarantee shall not exceed the net value of the latest financial statements. Taichung Bank Leasing stipulated in its Operating Procedures for Endorsement Guarantee that its total endorsement guarantee shall not exceed ten times the net value of the latest financial statements.

Note 3: The highest balance of endorsements and/or guarantees in the current year.

Note 4: For guarantee and endorsement from parent company to subsidiaries, from subsidiaries to parent company, and to Mainland China, as in the case of TWSE/GTSW-listed companies, fill in Y.

3. Marketable securities held – end of year

Unit: thousand shares/ NTD thousand

| Account Title | Type and Name of Securities | Holder of Securities | Affiliation with Securities Issuer | Ending | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Quantity | Book Value | Shareholding % | Fair value | |
| Financial assets at fair value through profit or loss-current | Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | |
| | Taiwan Business Bank | CHINA MAN-MADE FIBER CORPORATION | N/A | 1 | $ 8 | - | $ 8 | |
| | Non listed (OTC) domestic stock | | | | | | | |
| | EVERSOL CORP. | 〃 | N/A | 35 | - | 1 | - | |
| | Beneficiary certificate | | | | | | | |
| | Chinese Selected Growth Equity Fund | 〃 | Fund managed by Taichung Securities Investment Trust Co., Ltd. | 9,653 | 169,309 | - | 169,309 | |
| | The RSIT Digital Fund | 〃 | 〃 | 1,842 | 84,254 | - | 84,254 | |
| | Dah-Fa Fund | 〃 | 〃 | 1,505 | 60,797 | - | 60,797 | |
| | Taiwan Main Stream Small and Medium cap Fund | 〃 | 〃 | 3,042 | 85,910 | - | 85,910 | |
| | Beneficiary certificate | | | | | | | |
| | Chinese Selected Growth Equity Fund | Deh Hsing Investment Co., Ltd. | Fund managed by Taichung Securities Investment Trust Co., Ltd. | 2,163 | 37,946 | - | 37,946 | |
| | The RSIT Digital Fund | 〃 | 〃 | 67 | 3,070 | - | 3,070 | |
| | Beneficiary certificate | | | | | | | |
| | Reliance Taiwan Main Stream Small & Medium Cap Fund | Pan Asia Chemical Corporation | Fund managed by Taichung Securities Investment Trust Co., Ltd. | 743 | 20,986 | - | 20,986 | |
| | TAROBO Robotics Quantitative Chinese Fund | 〃 | 〃 | 1,319 | 21,862 | - | 21,862 | |
| | The RSIT Digital Fund | | 〃 | 420 | 19,224 | - | 19,224 | |
| Financial assets mandatorily measured at fair value through profit or loss-current | Beneficiary certificate | | | | | | | |
| | The RSIT Enhanced Money Market Fund | Taichung Securities Investment Trust Co., Ltd. | Fund managed by Taichung Securities Investment Trust Co., Ltd. | 569 | 6,855 | - | 6,855 | |
| | Dah-Fa Fund | 〃 | 〃 | 88 | 3,572 | - | 3,572 | |
| | The RSIT Digital Fund | 〃 | 〃 | 78 | 3,575 | - | 3,575 | |
| | Chinese Selected Growth Equity Fund | 〃 | 〃 | 295 | 5,173 | - | 5,173 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Taiwan Main Stream Small and Medium cap Fund | 〃 | 〃 | 139 | 3,928 | - | 3,928 | |
| | TAROBO Robotics Quantitative Chinese Fund | 〃 | 〃 | 35 | 584 | - | 584 | |

| Account Title | Type and Name of Securities | Holder of Securities | Affiliation with Securities Issuer | Ending | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Quantity | Book Value | Shareholding % | Fair value | |
| Financial assets mandatorily measured at fair value through profit or loss- current | S&P 1xInverse | 〃 | N/A | 25 | $ 211 | - | $ 211 | |
| | Taiwan 50 1xInverse | 〃 | 〃 | 260 | 1,810 | - | 1,810 | |
| | Yuanta/P-shares Taiwan Top 50 ETF | 〃 | 〃 | 3 | 367 | - | 367 | |
| | Beneficiary certificate | | | | | | | |
| | Chinese Selected Growth Equity Fund | Chou Chin Industrial Co., Ltd. | Fund managed by Taichung Securities Investment Trust Co., Ltd. | 813 | 14,254 | - | 14,254 | |
| | Taiwan Main Stream Small and Medium cap Fund | 〃 | 〃 | 111 | 3,133 | - | 3,133 | |
| | TAROBO Robotics Quantitative Chinese Fund | 〃 | 〃 | 500 | 8,286 | - | 8,286 | |
| | Capital Securities Global Strategy | 〃 | N/A | 200 | 2,035 | - | 2,035 | |
| | | | | | $ 557,149 | | $ 557,149 | |
| Equity instrument investments measured at fair value through other comprehensive income- non-current | Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | |
| | Hua Nan Financial Holding | CHINA MAN-MADE FIBER CORPORATION | CHINA MAN-MADE FIBER CORPORATION is its corporate supervisor. | 68,253 | $ 1,245,624 | 1 | $ 1,245,624 | 1,148 thousand shares pledged |
| | Maxigen Biotech Inc. | 〃 | N/A | 610 | 13,974 | 1 | 13,974 | |
| | Taiwan Tea Corporation | 〃 | N/A | 16,175 | 289,532 | 2 | 289,532 | 15,000 thousand shares pledged |
| | Non listed (OTC) domestic stock | | | | | | | |
| | Sunny Bank | 〃 | N/A | 2,688 | 24,996 | - | 24,996 | |
| | Formosa Imperial Wineseller Corp. | 〃 | Affiliate | 1,900 | - | 10 | - | |
| | TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD. | 〃 | CHINA MAN-MADE FIBER CORPORATION is its corporate director. | 11,542 | 28,047 | 20 | 28,047 | |
| | WK Technology Fund | 〃 | N/A | 598 | 9,674 | 3 | 9,674 | |
| | Pu Shih Joint Venture | 〃 | 〃 | 682 | 5,598 | 2 | 5,598 | |
| | Minchali Metal Industrial Co., Ltd. | 〃 | 〃 | 7,193 | 84,300 | 3 | 84,300 | |
| | TWSE | 〃 | 〃 | 1,332 | 110,209 | - | 110,209 | |
| | Everterminal Co., Ltd. | 〃 | 〃 | 298 | 3,440 | - | 3,440 | |
| | China Trade & Development Corp. | 〃 | 〃 | 756 | - | 1 | - | |
| | Chia Hsin **Food** and Synthetic Fiber Co., Ltd. | 〃 | 〃 | 103 | - | - | - | |
| | Taitung Business Bank | 〃 | 〃 | 4,027 | - | 1 | - | |
| | Non-listed (OTC) overseas stock | | | | | | | |
| | UNFON CONSTRUCTION CO., LTD (Hong Kong) | 〃 | Affiliate | 3,250 | 7,865 | 18 | 7,865 | |

| Account Title | Type and Name of Securities | Holder of Securities | Affiliation with Securities Issuer | Ending | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Quantity | Book Value | Shareholding % | Fair value | |
| Equity instrument investments measured at fair value through other comprehensive income-non-current | Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | |
| | CHINA MAN-MADE FIBER CORPORATION | Deh Hsing Investment Co., Ltd. | Parent company of Deh Hsing Investment Co., Ltd. | 11,173 | $ 125,133 | - | $ 125,133 | |
| | Pan Asia Chemical Corporation | 〃 | A subsidiary of CHINA MAN-MADE FIBER CORPORATION | - | 2 | - | 2 | |
| | Taiwan Tea Corporation | 〃 | N/A | 3,000 | 53,700 | - | 53,700 | |
| | Non listed (OTC) domestic stock | | | | | | | |
| | Formosa Imperial Wineseller Corp. | 〃 | Affiliate | 2,000 | - | 10 | - | |
| | Wan Tai Lease Co., Ltd. | 〃 | N/A | 628 | - | 3 | - | |
| | Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | |
| | CHINA MAN-MADE FIBER CORPORATION | Pan Asia Chemical Corporation | Parent company of Pan Asia Chemical Corporation | 251,443 | 2,816,160 | 16 | 2,816,160 | 77,954 thousand shares pledged |
| | Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | |
| | Taiwan Tea Corporation | 〃 | N/A | 11,800 | 211,220 | 1 | 211,220 | |
| | Non listed (OTC) domestic stock | | | | | | | |
| | TWSE | 〃 | N/A | 275 | 22,792 | - | 22,792 | |
| | Chung Chien Investment Co., Ltd. | 〃 | Affiliate | 12,000 | 46,320 | 18 | 46,320 | |
| | Chung Shing Textile Co., Ltd. | 〃 | N/A | 120 | - | - | - | |
| | Non listed (OTC) domestic stock | | | | | | | |
| | Taiwan Futures Exchange | Taichung Securities Investment Trust Co., Ltd. | N/A | 1,239 | 130,620 | - | 130,620 | |
| | Taiwan Business Bank | Chou Chin Industrial Co., Ltd. | N/A | 1,064 | 10,357 | - | 10,358 | |
| | Taichung Commercial Bank Co. | 〃 | A subsidiary of CHINA MAN-MADE FIBER CORPORATION | 8,110 | 87,998 | - | 87,998 | 2,000 thousand shares pledged |
| | CHINA MAN-MADE FIBER CORPORATION | 〃 | Ultimate parent of Chou Chin Industrial Co., Ltd. | 59,123 | 662,176 | 4 | 662,176 | 45,000 thousand shares pledged |
| | Hua Nan Financial Holding | 〃 | CHINA MAN-MADE FIBER CORPORATION is its corporate supervisor. | 20,802 | 379,635 | - | 379,635 | 19,500 thousand shares pledged |
| | Taiwan Tea Corporation | 〃 | N/A | 18,038 | 322,880 | - | 322,880 | 15,200 thousand shares pledged |
| | Non listed (OTC) domestic stock | | | | | | | |
| | Sunny Bank | 〃 | N/A | 1,344 | 12,592 | - | 12,592 | |

| Account Title | Type and Name of Securities | Holder of Securities | Affiliation with Securities Issuer | Ending | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Quantity | Book Value | Shareholding % | Fair value | |
| Equity instrument investments measured at fair value through other comprehensive income- non-current | Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | |
| | Taichung Commercial Bank Co. | Chou Chang Corporation | A subsidiary of CHINA MAN-MADE FIBER CORPORATION | 14,003 | $ 151,933 | - | $ 151,933 | 10,000 thousand shares pledged |
| | CHINA MAN-MADE FIBER CORPORATION | 〃 | Ultimate parent of Chou Chin Industrial Co., Ltd. | 9,248 | 103,574 | 1 | 103,574 | |
| | Non listed (OTC) domestic stock | | | | | | | |
| | Hsin Tung Yang | 〃 | N/A | 64 | 692 | - | 692 | |
| | Chou Chin Industrial Co., Ltd. | 〃 | The investor evaluating Chou Chang Corporation under equity method | 489 | 2,603 | 1 | 2,603 | |
| | | | | | $ 6,963,646 | | $ 6,963,646 | |
| | Domestic corporate bonds | | | | | | | |
| | Taichung Commercial Bank financial bonds | CHINA MAN-MADE FIBER CORPORATION | A subsidiary of CHINA MAN-MADE FIBER CORPORATION | 110,000 | $ 110,000 | - | $ 110,000 | |
| | Domestic corporate bonds | | | | | | | |
| | Taichung Commercial Bank financial bonds | Pan Asia Chemical Corporation | A subsidiary of CHINA MAN-MADE FIBER CORPORATION | 200,000 | 204,052 | - | 204,052 | |
| | Domestic corporate bonds | | | | | | | |
| | Taichung Commercial Bank financial bonds | Chou Chin Industrial Co., Ltd. | A subsidiary of CHINA MAN-MADE FIBER CORPORATION | 850,000 | 853,256 | - | 853,256 | NT$790,000 thousand pledge |
| | Domestic corporate bonds | | | | | | | |
| | Taichung Commercial Bank financial bonds | Chou Chang Corporation | A subsidiary of CHINA MAN-MADE FIBER CORPORATION | 350,000 | 356,796 | - | 356,796 | NT$ 350 million pledge |
| | | | | | $ 1,524,104 | | $ 1,524,104 | |

Note: Taichung Commercial Bank and its subsidiaries are exempt from disclosure due to that they are in the financial, insurance and securities businesses.

4. Cumulative amount of the same marketable securities purchased or sold reaching NT$300 million or more than 20% of the Paid-in sharescapital.

Unit: NTD thousand\ thousand shares

| Buyer/Seller | Type and Name of Securities | Account Title | Trading Counterpart | Affiliation | Beginning | | Bought | | Sold | | | | End of period (Note 1) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares (in Thousand shares) | Amount | Shares (in Thousand shares) | Amount | Shares (in Thousand shares) | Amount | Cost | Gain (loss) from disposal | Shares (in Thousand shares) | Amount |
| CHINA MAN-MADE FIBER CORPORATION | Taichung Commercial Bank common stocks | Investments adopting the equity method / consolidated and individual | Subscription of capital increase | Subsidiaries | 826,726 | $11,465,093 | 43,777 | $446,524 | - | $ - | $ - | $ - | 913,493 | $12,639,058 |

Note 1:The number of shares at the end of period includes stock dividends allocated in the period. The amount at the end of period includes the profit and loss and the other comprehensive income of subsidiaries, associate companies and joint venture adopting the equity method.

5. Acquisition amount of real estate reaching NT$300 million or more than 20% of the Paid-in sharescapital (None)

6. Amount on disposal of real estate reaching NT$300 million or more than 20% of the Paid-in shares capital.

Unit: NTD thousand, unless otherwise noted

| Company disposing property | Descriptions of assets | Date of event | Initial Acquisition Date | Book Value | Transaction price | Status | Gain (loss) from disposal | Trading Counterpart | Affiliation | Purpose | Reference basis for price determination | Other convenants |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHINA MAN-MADE FIBER CORPORATION | Yunlin County Douliou City Kejia Section Land No. 169 | 2020/08/19 | 96/02/09 | $ 769,610 | $ 3,644,503 | Received NT$3,497,920,000 and NT$146,583,000 on September 18 and October 5 in accordance with provisions in the real estate sales contract. | $ 2,863,685 (Note 3) | BECKETT ENTERPRISES LLC. | N/A | Activated assets | Note 1, 2 | N/A |

Note 1: Price determination reference: In reference to market quotations and the appraisal value from the professional appraisal institution.

Note 2: In disposal of real estate, HB Real Estate Appraisers Firm and Baoyuan Real Estate Real Estate Appraisers Firm's appraisal values are NT$59,000 and NT$59,200 per *ping* (3.3058 square meters), with the total prices of NT$3,583,761,000 and NT$3,595,910,000 respectively.

Note 3: Disposal gains and losses: the transaction amount deducted by intermediary fees, under trust and custody fees, fees and charges, notary fees, stamp duty, etc.

7. Amount on purchase from and sale to related parties reaching NT$100 million or more than 20% of the Paid-in sharescapital

Unit: NTD thousand

| Purchaser/Seller | Trading Counterpart | Affiliation | Status | | | | Distinctive terms and conditions of trade and the reasons | | Receivable (payable) accounts/notes | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase (sale) | Amount | Percentage in total purchase (sale) amount % | Duration | Unit Price | Duration | Balance | Percentage in total receivable (payable) accounts/notes % | |
| CHINA MAN-MADE FIBER CORPORATION | Nan Chung Petrochemical Corp. | The investee under equity method of CHINA MAN-MADE FIBER CORPORATION | Purchase | $ 2,053,199 | 30% | 30~ 60 days | Not distinctive | 30~90 days for the general transactions | $ - | 0% | |
| CHINA MAN-MADE FIBER CORPORATION | Pan Asia Chemical Corporation | A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION | Sale | ( 632,507 ) | ( 8% ) | 30~ 60 days | 〃 | 〃 | 96,470 | 5% | |
| Pan Asia Chemical Corporation | CHINA MAN-MADE FIBER CORPORATION | Parent company of Pan Asia Chemical Corporation | Purchase | 632,507 | 48% | 30~ 60 days | 〃 | 〃 | ( 96,470 ) | ( 74% ) | |
| Chou Chin Industrial Co., Ltd. | GREENWORLD FOOD CO., LTD. | Subsidiary of Chou Chin Industrial Co., Ltd. | Sale | ( 1,267,013 ) | ( 47% ) | A/C 120 days | - | - | 192,985 | 65% | |
| GREENWORLD FOOD CO., LTD. | Chou Chin Industrial Co., Ltd. | Parent company of GREENWORLD FOOD CO., LTD. | Purchase | 1,267,013 | 73% | A/C 120 days | - | - | ( 192,985 ) | ( 86% ) | |

Note: The above transactions have been written off in the consolidated statement.

8. Accounts receivable-related party reaching NT$100 million or more than 20% of the Paid-in sharescapital. Unit: NTD thousand

| Company of receivables on book | Trading Counterpart | Affiliation | Balance of receivables with related party | Turnover Rate | Overdue receivables with related party | | Receivables with related party after period collection | Amount of allowance for bad debt |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Mode of Processing | | |
| Chou Chin Industrial Co., Ltd. | GREENWORLD FOOD CO., LTD. | A subsidiary of Chou Chin Industrial Co., Ltd. | $ 192,985 | 6.35 | $ - | — | $ 192,985 | $ - |

Note: The above transactions have been written off in the consolidated statement.

9. Transactions in engaging in derivative financial instruments. (Note 9)

10. Other: Business relationship and main dealings between the parent and its subsidiaries Unit: NTD thousand

| Item No. (Note 1) | Trader's name | Counterparty | Relationship with trader (Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Title | Amount (Note 3) | Terms and conditions | Percentage in consolidated total revenue or total assets (Note 4) |
| | 2020 | | | | | | |
| 0 | CHINA MAN-MADE FIBER CORPORATION | Pan Asia Chemical Corporation | 1 | Sales revenue | $ 632,507 | No significant difference from the general customer | 2% |
| 0 | CHINA MAN-MADE FIBER CORPORATION | Pan Asia Chemical Corporation | 1 | Accounts receivable | 96,470 | No significant difference from the general customer | - |
| 0 | CHINA MAN-MADE FIBER CORPORATION | Taichung Commercial Bank Co. | 1 | Cash and cash equivalents | 83,726 | No significant difference from the general customer | - |
| 1 | Pan Asia Chemical Corporation | Taichung Commercial Bank Co. | 3 | Cash and cash equivalents | 113,890 | No significant difference from the general customer | - |
| 2 | Taichung Commercial Bank Co. | Taichung Commercial Bank Insurance Broker Co., Ltd. | 3 | Customer deposits and remittances | 1,330,849 | No significant difference from the general customer | - |
| 2 | Taichung Commercial Bank Co. | Taichung Commercial Bank Insurance Broker Co., Ltd. | 3 | Income from handling fees | 200,000 | No significant difference from the general customer | 1% |
| 2 | Taichung Commercial Bank Co. | Taichung Commercial Bank Securities Co., Ltd. | 3 | Customer deposits and remittances | 106,957 | No significant difference from the general customer | - |
| 2 | Taichung Commercial Bank Co. | Taichung Bank Venture Capital Co., Ltd. | 3 | Customer deposits and remittances | 188,268 | No significant difference from the general customer | - |
| 3 | Chou Chin Industrial Co., Ltd. | GREENWORLD FOOD CO., LTD. | 3 | Sales revenue | 1,267,013 | No significant difference from the general customer | 4% |
| 3 | Chou Chin Industrial Co., Ltd. | GREENWORLD FOOD CO., LTD. | 3 | Accounts receivable | 192,985 | No significant difference from the general customer | - |
| 3 | Chou Chin Industrial Co., Ltd. | GREENWORLD FOOD CO., LTD. | 3 | Other income | 92,122 | No significant difference from the general customer | - |
| 4 | Bomy Shanghai | Shanghai Bangyi International Trading Co., Ltd. | 3 | Other receivables | 130,830 | No significant difference from the general customer | - |

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.
2. Subsidiaries are numbered from number 1.

Note 2: The relationship with the trade party is classified into three categories as follows:
1. Parent Company to subsidiaries.
2. Subsidiaries to Parent Company.
3. Subsidiaries to subsidiaries.

Note 3: Written-off upon consolidation.

Note 4: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 5: Major transactions refer to those reaching NT$60,000 thousand and shall be disclosed.

## 11. Information about the investee's name, location…..

Unit: NTD thousand

| Investor | Investor | Location | Major Business Lines | Initial Investment Amount | | Equity Ownership by the Company | | | Current period net gain (loss) of the investee | Investment gain (loss) recognized in current period | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Current period-ending | Previous period-ending | Quantity | Percentage % | Book Value | | | |
| CHINA MAN-MADE FIBER CORPORATION | Taichung Commercial Bank | Taichung City | Banking business | $ 6,802,167 | $ 6,355,643 | 913,493 | 22 | $ 12,639,058 | $ 4,025,533 | $ 896,247 | 355,400 thousand shares pledged |
| | Pan Asia Chemical Corporation | Taipei City | Petrochemical business | 968,472 | 968,472 | 134,241 | 44 | 1,331,530 | 247,931 | 110,056 | |
| | Nan Chung Petrochemical Corp. | Yunlin County | Petrochemical business | 1,000,002 | 1,000,002 | 100,000 | 50 | 1,103,434 | ( 98,496) | ( 49,248) | 10,000 thousand shares pledged |
| | Deh Hsing Investment Co., Ltd. | Taipei City | General investment business | 1,550,000 | 1,550,000 | 155,000 | 100 | 1,471,812 | ( 63,035) | ( 9,298) | |
| | Taichung Securities Investment Trust Co., Ltd. | Taipei City | Securities investment trust business | 6,295 | 6,295 | 922 | 3 | 12,516 | ( 8,453) | ( 249) | |
| | Chou Chin Industrial Co., Ltd. | New Taipei City | Manufacturing and trading | 176,430 | 176,430 | 33,557 | 47 | 448,607 | 149,568 | 70,133 | |
| | EUREKA **INVESTMENT** COMPANY LIMITED | Taipei City | General investment business | 37,500 | 37,500 | 3,750 | 100 | 34,028 | ( 1,237) | ( 1,237) | |
| | Melasse | Taipei City | Cosmetics and cleaning appliances manufacturing | 14,500 | 14,500 | 1,450 | 50 | 14,038 | 1,641 | 821 | |
| Pan Asia Chemical Corporation | Taichung Commercial Bank | Taichung City | Banking business | 1,457,394 | 1,347,834 | 234,256 | 6 | 3,232,947 | 4,025,533 | 230,305 | |
| | Taichung Securities Investment Trust Co., Ltd. | Taipei City | Securities investment trust business | 15,738 | 15,738 | 979 | 3 | 13,323 | ( 8,453) | ( 265) | |
| | Melasse | Taipei City | Cosmetics and cleaning appliances manufacturing | 14,500 | 14,500 | 1,450 | 50 | 14,037 | 1,641 | 820 | |
| Taichung Commercial Bank | Taichung Commercial Bank Lease Enterprise | Taichung City | Leasing industry | 1,800,000 | 1,800,000 | 196,463 | 100 | 1,931,004 | 27,868 | 27,868 | |
| | Taichung Bank Insurance Agency Co., Ltd. | Taichung City | Insurance agency | 6,000 | 6,000 | 128,600 | 100 | 1,831,053 | 256,747 | 256,747 | |

| Investor | Investor | Location | Major Business Lines | Initial Investment Amount | | Equity Ownership by the Company | | | Current period net gain (loss) of the investee | Investment gain (loss) recognized in current period | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Current period-ending | Previous period-ending | Quantity | Percentage % | Book Value | | | |
| | Taichung Commercial Bank Securities Co., Ltd. | Taichung City | Securities business | 1,500,000 | 1,500,000 | 140,429 | 100 | 1,514,812 | 128,246 | 128,246 | |
| | Taichung Securities Investment Trust Co., Ltd. | Taipei City | Securities investment trust business | 120,000 | 120,000 | 12,000 | 38 | 163,148 | (8,453) | (3,294) | |
| Taichung Commercial Bank Lease Enterprise | TCCBL Co., Ltd. | British Virgin Islands | Financing, leasing and investments. | 893,373 | 893,373 | 30,000 | 100 | 781,046 | (3,996) | (3,996) | |
| TCCBL Co., Ltd. | Taichung Commercial Bank Leasing (Suzhou) Ltd. | Suzhou | Financing Leasing and investments | 893,373 | 893,373 | - | 100 | 736,562 | 8,726 | 8,726 | |
| Taichung Commercial Bank Securities Co., Ltd. | Taichung Bank Venture Capital Co., Ltd. | Taipei City | Venture Investment | 210,000 | - | 21,000 | 100 | 214,732 | 4,732 | 4,732 | |
| Deh Hsing Investment Co., Ltd. | Taichung Commercial Bank | Taichung City | Banking business | 86,017 | 86,017 | 12,512 | - | 176,455 | 4,025,533 | 12,437 | 4,500 thousand shares pledged |
| | Pan Asia Chemical Corporation | Taipei City | Petrochemical business | - | 150,612 | - | - | - | 248,015 | 2,539 | |
| | Taichung Securities Investment Trust Co., Ltd. | Taipei City | Securities investment trust business | 20,162 | 20,162 | 1,716 | 6 | 23,336 | (8,453) | (465) | |
| | Chou Chang Corporation | Taipei City | Distribution and warehousing of beverages | 44,000 | 44,000 | 4,000 | 15 | 47,665 | 13,395 | 1,951 | |
| | Chou Chin Industrial Co., Ltd. | New Taipei City | Manufacturing and trading | 10,243 | 10,243 | 1,793 | 3 | 42,811 | 149,568 | 3,739 | |
| | Xiang-Feng Development | Taipei City | General investment business | 313,000 | 283,000 | 31,300 | 100 | 293,037 | (1,618) | (1,618) | |
| | Wei-Kang International | Taipei City | Retail | 5,000 | 5,000 | 300 | 30 | 4,275 | 1,884 | 565 | |
| | IOLITE COMPANY Ltd. | Samoa | General investment business | 595,750 | 595,750 | 19,005 | 100 | 459,788 | (35,244) | (35,244) | |
| | Storm Model Management | Taipei City | General Advertising Services | 8,000 | 8,000 | 400 | 40 | 7,441 | (2,940) | (1,176) | |
| IOLITE COMPANY Ltd. | Hammock (Hong Kong) Company Limited | Hong Kong | General investment business | 470,685 | 470,685 | 15,000 | 100 | 345,591 | (35,755) | (35,755) | |
| | Precious Wealth International Limited | Samoa | General investment business | 10,969 | 10,969 | USD375 | 100 | 10,947 | - | - | |
| Xiang-Feng Development | Tou-Ming Industry | Taipei City | Real estate trading and leasing industry | 251,900 | 221,900 | 25,190 | 99 | 232,819 | (1,536) | (1,536) | |
| Tou-Ming Industry | Jin-Bang-Ge Industry | Taipei City | Real estate trading and leasing industry | 172,000 | 172,000 | 17,200 | 99 | 156,533 | (1,301) | (1,293) | |
| Chou Chin Industrial Co., Ltd. | GREENWORLD FOOD CO., LTD. | Taichung City | Food manufacturing, and distribution and warehousing of beverages | 233,530 | 233,363 | 17,567 | 90 | 115,353 | 34,576 | 36,617 | |
| | Chou Chang Corporation | Taichung City | Distribution and warehousing of beverages | 307,977 | 308,796 | 13,142 | 49 | 156,626 | 13,395 | 6,505 | |

| Investor | Investor | Location | Major Business Lines | Initial Investment Amount: Current period-ending | Initial Investment Amount: Previous period-ending | Equity Ownership by the Company: Quantity | Equity Ownership by the Company: Percentage % | Equity Ownership by the Company: Book Value | Current period net gain (loss) of the investee | Investment gain (loss) recognized in current period | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pan-Feng Industry | Taipei City | Restaurant industry | 14,897 | 14,897 | 1,500 | 100 | 746 | ( 294) | ( 294) | |
| | Bomy Enterprise | British Virgin Islands | General investment business | 223,248 | 223,248 | 10,000 | 49 | 149,151 | 13,765 | 5,817 | |
| | Yuju Universal Corporation | Samoa | General investment business | 24,573 | 24,573 | 810 | 90 | 14,634 | ( 5,530) | ( 4,681) | |
| | BONWELL PARISE Co., Ltd. | Samoa | International trade | 3,218 | 3,218 | 104 | 40 | 675 | 273 | 104 | |
| Yuju Universal Corporation | Noble House Glory | Japan | Short-term accommodation service | 24,345 | 24,345 | 1,800 | 100 | 19,954 | ( 4,681) | ( 4,681) | |
| GREENWORLD FOOD CO., LTD. | Chou Chang Corporation | Taichung City | Distribution and warehousing of beverages | 1,470 | 1,470 | 51 | - | 328 | 13,395 | - | |
| | Bomy Enterprise | British Virgin Islands | General investment business | 52,306 | 52,306 | 2,650 | 13 | 38,121 | 13,765 | 1,842 | |
| Chou Chang Corporation | GREENWORLD FOOD CO., LTD. | Taichung City | Food manufacturing, and distribution and warehousing of beverages | 11,224 | 11,224 | 1,133 | 6 | 12,479 | 34,576 | 2,075 | |

12. Information on main shareholders

December 31, 2020

| Name of Principle shareholder | Stock: Quantity of Shares | Stock: Shareholding |
|---|---|---|
| Pan Asia Chemical Corporation | 251,442,874 | 15.51% |

(3) Information about investment in Mainland China:

1. Name of the investee company in the Mainland Area, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area. Unit: NTD thousand and foreign currency thousand

| Investee | Major Business Lines | Paid-in capital | Mode of investment | Amount remitted from Taiwan in accumulation at beginning of the present term | Investment Remittance or Regain during the current period: Remittance | Investment Remittance or Regain during the current period: Regain | Amount remitted from Taiwan in accumulation at ending of the present term | Current period net gain (loss) of the investee | The Company's Direct or Indirect Investment Holding Ratio % | Investment gain (loss) recognized in current period (Note 3) | Book Value of Investment at the End of the Period | Investment return already remitted back as of the present term |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bomy Shanghai | OEM, production and marketing of canned vegetable and fruit juice, and beverages | $ 645,000 ( USD20,000 ) | Invested through the third area | $ 638,972 ( USD 19,850 ) | $ - | $ - | $ 638,972 ( USD 19,850 ) | $ 14,516 ( USD 491 ) | 62% (Note 1) | $ 8,936 ( USD 302 ) (2)C | $ 182,701 ( USD 6,415 ) | $ - |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Shanghai Bomy Consultancy Management Co., Ltd. | Consultation service | - | Self-owned capital investment of Shanghai Bomy Foodstuff Co., Ltd. | - | - | - | - | - | 61% (Note 2) | - | - | - |
| Shanghai Bangyi International Trading Co., Ltd. | International trade | - | 〃 | - | - | - | - | 6,492 (RMB1,516) | 61% (Note 2) | 3,960 (RMB 925) (2)C | 6,492 (RMB 1,516) | - |
| Chou Chin Shanghai | Manufacturing, processing and sale of modem, PC, computer shell and related metal stamping, interface, main frame and fiber optical system appliances | 30,355 (USD1,001) | Invested through the third area | 14,486 (USD 450) | - | - | 14,486 (USD 450) | - | 49% (Note 3) | - | - | - |
| Hebei Hanoshi Contact Lens Co., Ltd. | Manufacturing and trading | 470,685 (USD15,000) | 〃 | 470,685 (USD 15,000) | - | - | 470,685 (USD 15,000) | (35,663) (RMB8,329) | 100% | (35,663) (RMB8,329) (2)B | 346,411 (RMB 79,143) | - |
| Qian Teng PR Planning (Shanghai), Co., Ltd. | Exhibition design, corporate marketing consultation, and advertising copy planning | 7,408 (USD 250) | 〃 | 3,147 (USD 100) | - | - | 3,147 (USD 100) | (1,443) (RMB 337) | 40% (Note 4) | (574) (RMB 134) (3) | 716 (RMB 164) | - |
| Taichung Bank Leasing (Suzhou) | Finance lease business | 893,373 (RMB186,329) | 〃 | 893,373 (RMB 186,329) | - | - | 893,373 (RMB 186,329) | 8,726 (RMB2,045) | 29% (Note 5) | 2,531 (RMB 593) (2)B | 213,603 (RMB 49,480) | - |
| Shanghai Nianjia Cultural Diffusion Co., Ltd. | Culture and art exchanges and PR activity planning | 419 (RMB 100) | Investment in the Chinese company was made with Qian Teng PR Planning (Shanghai)'s own funds | - | - | - | - | (151) (RMB 35) | 40% | (60) (RMB 14) (3) | 38 (RMB 9) | - |

| Amount accumulated, remitted from Taiwan for investment in Mainland China at the end of the current term | Investment Amount Approved by Investment Commission of MOEA | Mainland China Investment Ceiling As Regulated by Investment Commission of MOEA (Note 4) |
|---|---|---|
| $ 2,020,663 (US$ 35,400 and RMB$ 186,329) | $ 2,204,953 (US$ 41,400 and RMB$ 186,329) | $ 3,086,668 |

Note 1: The consolidated shareholding calculated based on the reinvestment by Chou Chin Industrial Co., Ltd. and GREENWORLD FOOD CO., LTD. through Bomy Enterprise.

Note 2: The comprehensive shareholding ratio of Bomy International Co., Ltd. And Shanghai Bomy Foodstuff Co., Ltd. Calculated based on the reinvestment method.

Note 3: The consolidated shareholding calculated based on the reinvestment by Chou Chin Industrial Co., Ltd. and Chou Chang Corporation through a third area.

Note 4: Percentage of comprehensive cross holding of Chou Chin Industrial Co., Ltd. through investment in companies in the third region.

Note 5: Percentage of comprehensive cross holding of Taichung Bank Leasing through investment in companies in the third region.

Note 6: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out:

A. Financial statements audited and audited and attested by an international accounting firm that has a cooperative relationship with a certified public accounting firm registered in the Republic of China.

B. Financial statements audited and attested by the independent accounts of the parent company.

C. Others: Shanghai Bomy Food and its subsidiaries conducts analytical procedures based on the provisions of the Standards on Auditing No. 20 regarding the determination of key composition.

(3) Not audited by a CPA

Note 7: The ceiling calculated by the applicant, Chou Chin Industrial Co., Ltd., Taichung Commercial Bank Lease Enterprise and Deh Hsing Investment Co., Ltd. according to the “Regulations Governing the Review of Investment or Technical Cooperation in Mainland China" of Investment Commission, MOEA.

Note 8: The foreign currency, if any, has been translated into NTD (USD1=NT$30.72, USD1=NT$28.48, CNY1=NT$29.54, CNY1=$4.37, CNY1=$4.28) at the foreign exchange rate-ending and average foreign exchange rate prevailing on the date of the financial statement.

2. With Mainland China, major transactions, and other prices, payment conditions, unrealized gains and losses that happened directly or indirectly through the third region by the investment company.

(1) Input amounts, percentages, balance, & percentages of relevant payable at end of the term. (None)

(2) Sales amounts, percentages, balance, & percentages of relevant receivables at end of the term. (None)

(3) Amount of property transaction and amount of the profit and/or loss so incurred. (None)

(4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term. (See page 246 for details)

(5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term. (None)

(6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g., provision or acceptance of services. (None)

49. Segment information

(1) Revenues and operating results of segments

Revenues and operating results of the consolidated company's continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

| | Department income | | Gain (loss) from operation | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Chemical Industry Dept. | $ 6,523,249 | $ 10,593,744 | ( $ 1,221,298 ) | ( $ 1,601,215 ) |
| Chemical Fiber Department | 2,202,029 | 4,554,248 | ( 617,548 ) | ( 440,643 ) |
| Bank departments | 15,494,078 | 17,178,875 | 4,758,430 | 5,206,985 |
| Other Depts. | 6,597,043 | 3,405,155 | 2,001,121 | ( 49,045 ) |
| Total | $ 30,816,399 | $ 35,732,022 | $ 4,920,705 | $ 3,116,082 |

Revenues reported above are generated from transactions with external customers. There were no inter-departmental sales generated on 2020 and 2019.

The term department profits refers to profits earned by each department, which does not include income tax expenses. The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

(2) Departmental total assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Segment assets | | |
| Chemical Industry Dept. | $ 4,034,805 | $ 4,461,127 |
| Chemical Fiber Department | 1,311,189 | 1,413,270 |
| Construction Dept. | 1,849,924 | 1,112,465 |
| Bank departments | 736,770,021 | 682,688,922 |
| Others | 19,125,127 | 22,228,452 |
| Total segment assets | $ 763,091,066 | $ 711,904,236 |