

**Stock Code : 1455**

**Zig Sheng Industrial Co., Ltd.  
Parent Company Only Financial Statements  
For the Years Ended December 31, 2021 and 2020  
and Independent Auditors' Report**

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Zig Sheng Industrial Co., Ltd.  
2021 Parent Company Only Financial Statements  
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## **Independent Auditors' Report**

To : Zig Sheng Industrial Co., Ltd.

### **Opinion**

We have audited the Parent Company Only financial statements of Zig Sheng Industrial Co., Ltd. (the "Company"), which comprise the Parent Company Only balance sheets as of December 31, 2021 and 2020, the Parent Company Only statements of comprehensive income, Parent Company Only statements of changes in equity, and Parent Company Only statements of cash flows for the years ended December 31, 2021 and 2020, and notes to the Parent Company Only financial statements, including a summary of significant accounting policies (together "Parent Company Only Financial Statements").

In our opinion, the accompanying Parent Company Only Financial Statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only Financial Statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole and, in forming our opinion thereon; we do not provide a separate opinion on these matters.

Key audit matters for the Parent Company Only Financial Statements for the year ended December 31, 2021 are stated as follows :

### Revenue recognition

Revenue generation is a fundamental business activity of an enterprise as a going concern, it is crucial to the operating performance of an enterprise. Due to ubiquitous pressure of achieving projected financial or sales targets by management, revenue recognition is considered to have higher fraudulent risk by the generally accepted auditing standards. Therefore, we list the timing of transfer of risks and rewards of sold products and the recognition of sales revenue as one of the key audit matters.

For the accounting policies regarding revenue recognition, please refer to Note 4.31 of the Parent Company Only Financial Statements ; For illustration to the revenue items, please refer to disclosure in Note 6.30 of the Parent Company Only Financial Statements.

Our key audit procedures performed in respect of the above area included the following :

1. Tested the effectiveness of the Company's design and implementation of its internal controls over sales and receivable cycles, evaluated the appropriateness of revenue recognition on a test basis.
2. Understood the categories and specifications of products sold to top ten clients, evaluated the reasonableness of the sales revenue and accounts receivable turnover (days) and analyzed if there is any abnormality.
3. Evaluated the accuracy of the timing of transfer of risks and rewards of sold products and the recognition of sales revenue by selecting and testing a sample of sales transactions before and after the shipment cut-off date.

### Valuation of inventory

The main inventories of the Company are Polyester Fully Oriented Yarn, Lactam and the related products and are measured using lower of cost or net realizable value. Due to rapid changes in the industry where the Company resides, the sales prices of the Company's products are easily affected by the prices of international raw materials and may fluctuate drastically. This leads to risk that the inventory costs may exceed their net realizable value and resulted in slow-moving or obsolete inventories. And since the Company's management, through assessment of respective outside evidence, is relied to perform the subsequent measurements and recognition, we list inventory valuation as one of the key audit matters.

For the accounting policies regarding inventories, please refer to Note 4.14 of the Parent Company Only Financial Statements ; For illustration to the inventory items, please refer to disclosure in Note 6.6 of the Parent Company Only Financial Statements. Our key audit procedures performed in respect of the above area included the following :

1. Based on the understanding of the Company's operations and nature of the industry, assessed the reasonableness of the policies and procedures adopted for recording allowance to reduce inventory to market.
2. Reviewed inventory aging reports, analyzed changes in the inventory aging and assessed whether or not the subsequent measurements were performed according to the accounting policies.
3. Understood and assessed the reasonableness of the basis of net realizable value used by the management, selected samples and agreed to the relating supporting documents to test the accuracy of the amounts, then evaluated whether or not the management's disclosures regarding the subsequent measurements of inventories were appropriate.

## **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for preparation and fair presentation of the Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines necessary to enable the preparation of Parent Company Only Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether any material uncertainty exists in the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company Only Financial Statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless the laws or regulations preclude public disclosure on the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to be greater the additional benefits brought to the public from such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao, Ying-Chia and Lin, Chih-Lung.

Crowe (TW) CPAs  
Taipei, Taiwan  
Republic of China

March 11, 2022

Notice to Readers

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

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

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Balance Sheets  
As of December 31, 2021 and 2020

|       |   | In Thousands of New Taiwan Dollars |               |     |              |      |  |
|-------|---|------------------------------------|---------------|-----|--------------|------|--|
| Code  | Assets  | Notes                              | 31-Dec-21     |     | 31-Dec-20    |      |  |
|       |   |                                    | Amount        | %   | Amount       | %    |  |
| 11xx  | Current Assets  |                                    | \$ 4,876,474  | 45  | \$ 3,022,198 | 34   |  |
| 1100  | Cash and cash equivalents   | 6.1                                | 41,148        | -   | 39,298       | -    |  |
| 1110  | Financial assets at fair value through profit or loss – current                                 | 6.2                                | 916,107       | 8   | 603,174      | 7    |  |
| 1150  | Notes receivable, net   | 6.3                                | 269,770       | 3   | 220,967      | 3    |  |
| 1160  | Notes receivable - related parties  | 6.3,7                              | -             | -   | 66           | -    |  |
| 1170  | Accounts receivable, net  | 6.4                                | 1,283,292     | 12  | 961,459      | 11   |  |
| 1180  | Accounts receivable - related parties   | 6.4,7                              | 77,999        | 1   | 79,169       | 1    |  |
| 1200  | Other receivables   | 6.5                                | 7,511         | -   | 27,521       | -    |  |
| 1220  | Income tax assets   | 6.37                               | 4             | -   | 9            | -    |  |
| 1310  | Inventories, net  | 6.6                                | 2,233,256     | 21  | 1,071,942    | 12   |  |
| 1410  | Prepayments   | 6.7                                | 47,387        | -   | 18,593       | -    |  |
| 15xx  | Noncurrent Assets   |                                    | 5,899,328     | 55  | 5,902,298    | 66   |  |
| 1517  | Financial assets at fair value through other comprehensive income – noncurrent                  | 6.8                                | 246,998       | 2   | 208,709      | 3    |  |
| 1550  | Investments accounted for using equity method   | 6.9                                | 21,209        | -   | 21,392       | -    |  |
| 1600  | Property, plant and equipment   | 6.10                               | 4,715,038     | 44  | 4,735,873    | 53   |  |
| 1755  | Right-of-use asset  | 6.11                               | 74,045        | 1   | 77,962       | 1    |  |
| 1760  | Investment properties, net  | 6.12                               | 643,670       | 6   | 645,185      | 7    |  |
| 1780  | Intangible assets   | 6.13                               | 2,133         | -   | 1,051        | -    |  |
| 1840  | Deferred income tax assets  | 6.37                               | 75,895        | 1   | 128,793      | 2    |  |
| 1915  | Prepayments for equipment   |                                    | 49,808        | 1   | 26,126       | -    |  |
| 1920  | Guarantee deposits paid   | 6.14                               | 23,330        | -   | 24,799       | -    |  |
| 1990  | Other noncurrent assets – other   | 6.15                               | 47,202        | -   | 32,408       | -    |  |
| 1xxx  | Total Assets  |                                    | \$ 10,775,802 | 100 | \$ 8,924,496 | 100  |  |
| <hr/> |   |                                    |               |     |              |      |  |
| Code  | Liabilities and Equity  |                                    |               |     |              |      |  |
| 21xx  | Current Liabilities   |                                    | \$ 3,138,170  | 29  | \$ 2,059,440 | 23   |  |
| 2100  | Short-term loans  | 6.16                               | 1,260,000     | 12  | 710,000      | 8    |  |
| 2110  | Short-term notes and bills payable  | 6.17                               | 499,845       | 4   | 449,934      | 5    |  |
| 2120  | Financial liabilities at fair value through profit or loss – current                            | 6.18                               | 1,526         | -   | -            | -    |  |
| 2130  | Contractual liabilities – current   | 6.30                               | 54,356        | 1   | 79,767       | 1    |  |
| 2150  | Notes payable   | 6.19                               | 217,877       | 2   | 106,683      | 1    |  |
| 2170  | Accounts payable  | 6.19                               | 624,041       | 6   | 371,254      | 5    |  |
| 2180  | Accounts payable - related parties  | 7                                  | 82            | -   | 195          | -    |  |
| 2200  | Other payables  | 6.20                               | 408,719       | 4   | 303,651      | 3    |  |
| 2220  | Other payables - related parties  | 7                                  | 70            | -   | 4            | -    |  |
| 2230  | Current-period income tax liability   | 6.37                               | 31,503        | -   | -            | -    |  |
| 2250  | Provisions - current  | 6.21                               | 25,572        | -   | 24,573       | -    |  |
| 2280  | Lease liabilities - current   | 6.11                               | 12,975        | -   | 12,446       | -    |  |
| 2399  | Other current liabilities – other   | 6.22                               | 1,604         | -   | 933          | -    |  |
| 25xx  | Noncurrent Liabilities  |                                    | 327,322       | 3   | 339,187      | 4    |  |
| 2570  | Deferred income tax liabilities   | 6.37                               | 137,395       | 1   | 137,395      | 2    |  |
| 2580  | Lease liabilities - noncurrent  | 6.11                               | 62,985        | 1   | 67,079       | 1    |  |
| 2640  | Net defined benefit liability - noncurrent  | 6.23                               | 103,778       | 1   | 111,549      | 1    |  |
| 2645  | Guarantee deposits received   | 6.24                               | 23,164        | -   | 23,164       | -    |  |
| 2xxx  | Total Liabilities   |                                    | 3,465,492     | 32  | 2,398,627    | 27   |  |
| 31xx  | Equity  |                                    |               |     |              |      |  |
| 3100  | Share capital   | 6.25                               | 5,316,884     | 49  | 5,500,014    | 62   |  |
| 3110  | Ordinary shares   |                                    | 5,316,884     | 49  | 5,500,014    | 62   |  |
| 3200  | Capital surplus   | 6.26                               | 398,835       | 4   | 492,157      | 6    |  |
| 3300  | Retained earnings   | 6.27                               | 1,534,694     | 14  | 668,136      | 7    |  |
| 3310  | Legal reserve   |                                    | 249,476       | 2   | 249,476      | 3    |  |
| 3320  | Special reserve   |                                    | 321,614       | 3   | 321,614      | 3    |  |
| 3350  | Unappropriated retained earnings  |                                    | 963,604       | 9   | 97,046       | 1    |  |
| 3400  | Other equity interest   | 6.28                               | 59,897        | 1   | 26,138       | -    |  |
| 3410  | Exchange differences from translation of foreign operations                                     |                                    | ( 270)        | -   | ( 219)       | -    |  |
| 3420  | Unrealized gains or losses on financial assets at fair value through other comprehensive income |                                    | 60,167        | 1   | 26,357       | -    |  |
| 3500  | Treasury shares   | 6.29                               | -             | -   | ( 160,576)   | ( 2) |  |
| 3xxx  | Total Equity  |                                    | 7,310,310     | 68  | 6,525,869    | 73   |  |
| 3x2x  | Total Liabilities and Equity  |                                    | \$ 10,775,802 | 100 | \$ 8,924,496 | 100  |  |

(The accompanying notes form an integral part of the parent company only financial statements)

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Statements of Comprehensive Income  
For the Years Ended December 31, 2021 and 2020

In Thousands of New Taiwan Dollars

| Code | Item   | 2021          |       | 2020         |       |
|------|--|---------------|-------|--------------|-------|
|      |  | Amount        | %     | Amount       | %     |
| 4000 | Operating revenue (Note 6.30)  | \$ 11,202,972 | 100   | \$ 7,649,087 | 100   |
| 5000 | Operating costs (Note 6.6, 6.35)   | ( 9,991,420)  | ( 89) | ( 7,578,619) | ( 99) |
| 5900 | Gross profit (loss) from operations  | 1,211,552     | 11    | 70,468       | 1     |
| 5910 | Unrealized sales benefit (Note 6.9)  | ( 1,370)      | -     | ( 370)       | -     |
| 5920 | Realized sales benefit (Note 6.9)  | 370           | -     | 624          | -     |
| 5950 | Gross profit from operations - net   | 1,210,552     | 11    | 70,722       | 1     |
| 6000 | Operating expenses (Note 6.35)   | ( 565,439)    | ( 5)  | ( 356,019)   | ( 5)  |
| 6100 | Selling expenses   | ( 336,753)    | ( 3)  | ( 214,955)   | ( 3)  |
| 6200 | Administrative expenses  | ( 169,953)    | ( 1)  | ( 85,731)    | ( 1)  |
| 6300 | Research and development expenses  | ( 58,733)     | ( 1)  | ( 55,333)    | ( 1)  |
| 6900 | NET OPERATING INCOME (LOSS)  | 645,113       | 6     | ( 285,297)   | ( 4)  |
|      | Non-operating income and expenses  |               |       |              |       |
| 7100 | Interest income (Note 6.31)  | 16            | -     | 38           | -     |
| 7010 | Other income (Note 6.32)   | 155,086       | 1     | 279,286      | 4     |
| 7020 | Other gains and losses (Note 6.33)   | 222,629       | 2     | ( 22,585)    | -     |
| 7050 | Finance costs (Note 6.34)  | ( 19,144)     | -     | ( 11,592)    | -     |
| 7070 | Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6.9)                           | 868           | -     | 5,058        | -     |
| 7000 | Total non-operating income and expenses  | 359,455       | 3     | 250,205      | 4     |
| 7900 | INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS   | 1,004,568     | 9     | ( 35,092)    | -     |
| 7950 | INCOME TAX EXPENSE (Note 6.37)   | ( 84,491)     | ( 1)  | ( 5,023)     | -     |
| 8200 | NET INCOME (LOSS)  | 920,077       | 8     | ( 40,115)    | -     |
|      | OTHER COMPREHENSIVE INCOME (LOSS)  |               |       |              |       |
|      | Items that will not be reclassified subsequently to profit or loss :   |               |       |              |       |
| 8316 | Unrealized measurement gains or losses on equity instruments at FVTOCI (Note 6.8)  | 33,810        | -     | 12,248       | -     |
| 8311 | Remeasurements of defined benefit liability (Note 6.23)  | ( 438)        | -     | ( 589)       | -     |
| 8349 | Income tax related to items that will not be reclassified subsequently to profit or loss (Note 6.37)                           | 88            | -     | 118          | -     |
| 8310 | Total items that will not be reclassified subsequently to profit or loss   | 33,460        | -     | 11,777       | -     |
|      | Items that may be reclassified subsequently to profit or loss : (Note 6.9)   |               |       |              |       |
| 8381 | Exchange differences from translation of foreign operations of subsidiaries, associates and joint ventures under equity method | ( 51)         | -     | 435          | -     |
| 8360 | Total items that may be reclassified subsequently to profit or loss  | ( 51)         | -     | 435          | -     |
| 8300 | Total other comprehensive income (loss) for the year, net of income tax  | 33,409        | -     | 12,212       | -     |
| 8500 | TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR   | \$ 953,486    | 8     | \$ 27,903    | -     |
|      | EARNINGS PER SHARE – ORDINARY SHARES (NT\$) (Note 6.38)  |               |       |              |       |
| 9750 | Basic earnings (loss) per share  | \$ 1.73       |       | (\$ 0.07)    |       |
| 9850 | Diluted earnings per share   | \$ 1.73       |       |              |       |

(The accompanying notes form an integral part of the parent company only financial statements)

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Statements of Changes in Equity  
For the Years Ended December 31, 2021 and 2020

In Thousands of New Taiwan Dollars

| Code | Item   | Share Capital -<br>Ordinary<br>Shares | Capital<br>Surplus | Retained Earnings |                    |   | Other Equity   |  | Treasury<br>Shares  | Total Equity        |
|------|--|---------------------------------------|--------------------|-------------------|--------------------|---|--|--|---------------------|---------------------|
|      |  |                                       |                    | Legal<br>reserve  | Special<br>reserve | Unappropriate<br>d retained<br>earnings | Exchange<br>differences<br>from<br>translation<br>of foreign<br>operations | Unrealized<br>gains or losses<br>on financial<br>assets at<br>FVTOCI |                     |                     |
| A1   | Balance on January 1, 2020                       | \$ 6,117,634                          | \$ 360,397         | \$ 249,476        | \$ 321,614         | \$ 137,632                              | (\$ 654)   | \$ 14,109  | \$ -                | \$ 7,200,208        |
| D1   | Profit (loss) for 2020                           | -                                     | -                  | -                 | -                  | ( 40,115)                               | -  | -  | -                   | ( 40,115)           |
| D3   | Other comprehensive income, net of tax, for 2020 | -                                     | -                  | -                 | -                  | ( 471)                                  | 435  | 12,248   | -                   | 12,212              |
| L1   | Buy back treasury shares                         | -                                     | -                  | -                 | -                  | -                                       | -  | -  | ( 646,436)          | ( 646,436)          |
| L3   | Cancellation of treasury shares                  | ( 617,620)                            | 131,760            | -                 | -                  | -                                       | -  | -  | 485,860             | -                   |
| Z1   | Balance, December 31, 2020                       | <u>\$ 5,500,014</u>                   | <u>\$ 492,157</u>  | <u>\$ 249,476</u> | <u>\$ 321,614</u>  | <u>\$ 97,046</u>                        | <u>(\$ 219)</u>  | <u>\$ 26,357</u>   | <u>(\$ 160,576)</u> | <u>\$ 6,525,869</u> |
| A1   | Balance on January 1, 2021                       | \$ 5,500,014                          | \$ 492,157         | \$ 249,476        | \$ 321,614         | \$ 97,046                               | (\$ 219)   | \$ 26,357  | (\$ 160,576)        | \$ 6,525,869        |
|      | Appropriation of 2020 earnings :                 |                                       |                    |                   |                    |   |  |  |                     |                     |
| B5   | Cash dividends for ordinary shares               | -                                     | -                  | -                 | -                  | (\$ 53,169)                             | -  | -  | -                   | ( 53,169)           |
| C15  | Cash dividends from additional paid-in capital   | -                                     | (\$ 106,338)       | -                 | -                  | -                                       | -  | -  | -                   | ( 106,338)          |
| C17  | Unclaimed overdue dividends by shareholders      | -                                     | \$ 455             | -                 | -                  | -                                       | -  | -  | -                   | 455                 |
| D1   | Profit (loss) for 2021                           | -                                     | -                  | -                 | -                  | 920,077                                 | -  | -  | -                   | 920,077             |
| D3   | Other comprehensive income, net of tax, for 2021 | -                                     | -                  | -                 | -                  | ( 350)                                  | ( 51)  | 33,810   | -                   | 33,409              |
| L1   | Buy back treasury shares                         | -                                     | -                  | -                 | -                  | -                                       | -  | -  | ( 9,993)            | ( 9,993)            |
| L3   | Cancellation of treasury shares                  | ( 183,130)                            | 12,561             | -                 | -                  | -                                       | -  | -  | 170,569             | -                   |
| Z1   | Balance, December 31, 2021                       | <u>\$ 5,316,884</u>                   | <u>\$ 398,835</u>  | <u>\$ 249,476</u> | <u>\$ 321,614</u>  | <u>\$ 963,604</u>                       | <u>(\$ 270)</u>  | <u>\$ 60,167</u>   | <u>\$ -</u>         | <u>\$ 7,310,310</u> |

(The accompanying notes form an integral part of the parent company only financial statements)

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020

In Thousands of New Taiwan Dollars

| Code   | Item   | 2021                | 2020           |
|--------|--|---------------------|----------------|
| AAAA   | CASH FLOWS FROM OPERATING ACTIVITIES :   |                     |                |
| A00010 | Profit (loss) from continuing operations before tax  | \$ 1,004,568        | (\$ 35,092)    |
| A20000 | Adjustments :  |                     |                |
| A20010 | Income/gain or expense/loss items not affecting cash flows                                     |                     |                |
| A20100 | Depreciation expense (including depreciation of right-of-use assets and investment properties) | 462,446             | 585,414        |
| A20200 | Amortization expense   | 27,137              | 28,019         |
| A20400 | Net loss (gain) on financial assets and liabilities measured at FVTPL                          | ( 62,183)           | ( 70,570)      |
| A20900 | Interest expense   | 13,904              | 11,363         |
| A21200 | Interest income  | ( 16)               | ( 38)          |
| A21300 | Dividend income  | ( 37,059)           | ( 22,806)      |
| A22400 | Share of profits of subsidiaries, associates, and joint ventures under equity method           | ( 868)              | ( 5,058)       |
| A22500 | Net loss (gain) on disposal or scrapping of property, plant and equipment                      | 33                  | 1,145          |
| A23100 | Loss (gain) from disposal of investments   | ( 190,076)          | 55,646         |
| A23900 | Unrealized sales benefit   | 1,370               | 370            |
| A24000 | Realized sales benefit   | ( 370)              | ( 624)         |
| A29900 | Gain from lease modifications  | -                   | ( 39)          |
| A20010 | Total income/gain or expense/loss items not affecting cash flows                               | <u>214,318</u>      | <u>582,822</u> |
| A30000 | Changes in operating assets and liabilities  |                     |                |
| A31115 | Decrease (increase) in financial assets mandatorily measured at FVTPL                          | ( 51,787)           | ( 73,412)      |
| A31130 | Decrease (increase) in notes receivable  | ( 48,803)           | ( 26,493)      |
| A31140 | Decrease (increase) in notes receivable – related parties                                      | 66                  | ( 16)          |
| A31150 | Decrease (increase) in accounts receivable   | ( 321,833)          | ( 53,112)      |
| A31160 | Decrease (increase) in accounts receivable – related parties                                   | 1,170               | 17,450         |
| A31180 | Decrease (increase) in other receivables   | 10,453              | ( 4,551)       |
| A31200 | Decrease (increase) in inventories   | ( 1,175,296)        | 565,565        |
| A31230 | Decrease (increase) in prepayments   | ( 28,794)           | ( 2,601)       |
| A32125 | Increase (decrease) in contractual liabilities   | ( 25,411)           | ( 2,842)       |
| A32130 | Increase (decrease) in notes payable   | 111,194             | 5,110          |
| A32150 | Increase (decrease) in accounts payable  | 252,787             | 19,647         |
| A32160 | Increase (decrease) in accounts payable – related parties                                      | ( 113)              | ( 245)         |
| A32180 | Increase (decrease) in other payables  | 110,224             | 310            |
| A32190 | Increase (decrease) in other payables – related parties  | 66                  | ( 434)         |
| A32200 | Increase (decrease) in provisions  | 999                 | ( 590)         |
| A32230 | Increase (decrease) in other current liabilities - other                                       | 671                 | 1              |
| A32240 | Increase (decrease) in net defined benefit liabilities   | ( 8,209)            | ( 8,634)       |
| A30000 | Total changes in operating assets and liabilities  | <u>( 1,172,616)</u> | <u>435,153</u> |
| A33000 | Cash generated from operations   | 46,270              | 982,883        |
| A33100 | Interest received  | 16                  | 40             |
| A33200 | Dividend received  | 37,059              | 22,806         |
| A33300 | Interest paid  | ( 13,864)           | ( 11,514)      |
| A33500 | Income taxes refunded (paid)   | 3                   | ( 2,046)       |
| AAAA   | Net cash flows from (used in) operating activities   | <u>69,484</u>       | <u>992,169</u> |

(continue to next page)

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|        |  |                   |                   |
|--------|--|-------------------|-------------------|
| BBBB   | CASH FLOWS FROM INVESTING ACTIVITIES :                           |                   |                   |
| B00010 | Acquisition of FVTOCI financial assets                           | ( 13,200)         | -                 |
| B00030 | Returned capital from FVTOCI financial assets                    | 8,721             | 2,550             |
| B02700 | Acquisition of property, plant and equipment                     | ( 218,014)        | ( 169,041)        |
| B02800 | Disposal of property, plant and equipment                        | 407               | 207               |
| B03700 | Increase in refundable deposits paid                             | ( 11)             | ( 18,647)         |
| B03800 | Decrease in refundable deposit paid                              | 1,480             | 256               |
| B04500 | Acquisition of intangible assets                                 | ( 907)            | ( 76)             |
| B05400 | Acquisition of investment properties                             | ( 3,631)          | -                 |
| B06600 | Decrease in other financial assets                               | -                 | 3,778             |
| B06700 | Increase in other noncurrent assets - other                      | ( 40,753)         | ( 20,845)         |
| B07100 | Increase in prepayments for equipment                            | ( 220,202)        | ( 109,888)        |
| BBBB   | Net cash flows from (used in) investing activities               | <u>( 486,110)</u> | <u>( 311,706)</u> |
| CCCC   | CASH FLOWS FROM FINANCING ACTIVITIES : (Note 6.36)               |                   |                   |
| C00100 | Increase in short-term loans                                     | 12,136,870        | 7,577,632         |
| C00200 | Decrease in short-term loans                                     | ( 11,586,870)     | ( 8,051,632)      |
| C00500 | Increase in short-term notes and bills payable                   | 4,380,000         | 1,900,000         |
| C00600 | Decrease in short-term notes and bills payable                   | ( 4,330,000)      | ( 1,450,000)      |
| C03000 | Increase in deposits received                                    | 95                | 100               |
| C03100 | Decrease in deposits received                                    | ( 95)             | ( 600)            |
| C04020 | Lease principal repayments                                       | ( 12,479)         | ( 12,261)         |
| C04500 | Distribution of cash dividends                                   | ( 159,507)        | -                 |
| C04900 | Cost for buying back treasury shares                             | ( 9,993)          | ( 646,436)        |
| C09900 | Undrawn overdue dividends payable transferred to capital surplus | 455               | -                 |
| CCCC   | Net cash flows from (used in) financing activities               | <u>418,476</u>    | <u>( 683,197)</u> |
| EEEE   | NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS             | 1,850             | ( 2,734)          |
| E00100 | CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                     | 39,298            | 42,032            |
| E00200 | CASH AND CASH EQUIVALENTS, END OF YEAR                           | <u>\$ 41,148</u>  | <u>\$ 39,298</u>  |
| E00210 | RECORDED CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET          | <u>\$ 41,148</u>  | <u>\$ 39,298</u>  |

(The accompanying notes form an integral part of the parent company only financial statements)

Zig Sheng Industrial Co., Ltd.  
Notes to Parent Company Only Financial Statements  
For the Years Ended December 31, 2021 and 2020  
(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

## 1. General Information

Zig Sheng Industrial Co., Ltd. (the “Company”) was founded on August 18, 1969. The principal operating activities of the Company are as following :

- (1) Spinning, weaving, dyeing/finishing, printing, processing, and trading of various filament, artificial cotton and nylon.
  - (2) Production, selling, import/export of fiber raw materials for use in the petrochemical industry.
- The Company has factories in Guishan District, Guanyin District and Dayuan District, Taoyuan City.

The Company’s stock began traded in the Taiwan Stock Exchange from October 7, 1993. The Company is its own ultimate parent company.

The Company's functional currency is New Taiwan Dollar. Since the Company is publicly traded in Taiwan, in order to increase comparability and consistency of the financial statements, these Parent Company Only Financial Statements are presented in New Taiwan Dollars.

## 2. The Authorization of Financial Statements

The accompanying Parent Company Only Financial Statements were approved and authorized for issue by the Board of Directors on March 11, 2022.

## 3. Application of New Standards, Amendments, and Interpretations

- 3.1 Effects from application of the newly issued or revised International Financial Reporting Standards recognized and issued into effect by the Financial Supervisory Commission (“FSC”) :

According to FSC Jin-Guan-Zheng-Shen No. 1090363623 Order on August 4, 2020, the Company shall, beginning from 2021, prepare its financial statements, apply the International Financial Reporting Standards, International Accounting Standards, and the related interpretations released by IASB and recognized, issued into effect by FSC (together “IFRSs”), and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The following summarizes the newly published, amended or revised IFRSs that are recognized by FSC and effective in 2021 :

| <u>Newly Issued/Amended/Revised Standards and Interpretations</u>                                 | <u>Effective Date<br/>Announced by IASB</u>         |
|---|---|
| Amendments to IFRS 4 ” Extension of the Temporary Exemption from Applying IFRS 9”                 | June 25, 2020<br>(Effective from the issuance date) |
| Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform” | January 1, 2021                                     |
| Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”                     | April 1, 2022 (Note)                                |

Note : FSC has allowed earlier adoption by companies effective from January 1, 2021.

After assessment, the above standards and interpretations do not have material impact on the financial position and financial performance of the Company.

### 3.2 Effects from not yet adopting the newly published, amended or revised IFRSs that have been endorsed and issued into effect by FSC :

The following summarizes the newly published, amended or revised IFRSs that are recognized by FSC and effective in 2022 :

| <u>Newly Issued/Amended/Revised Standards and Interpretations</u>                     | <u>Effective Date<br/>Announced by IASB</u> |
|---|---|
| Amendments to IFRS 16 ” Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022                             |
| Amendments to IFRS 37 ” Onerous Contracts - Cost of Fulfilling a Contract”            | January 1, 2022                             |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                          | January 1, 2022                             |
| Annual Improvements to IFRS Standards 2018-2020                                       | January 1, 2022                             |

As of the released date of these financial statements, after assessment, the above standards and interpretations do not have material impact on the financial position and financial performance of the Company.

### 3.3 Effects from the IFRSs issued by IASB but not yet been endorsed and issued into effect by FSC :

The IFRSs newly issued, revised or amended by IASB but not yet been endorsed by FSC are summarized as following (actual effective date is determined by FSC):

| <u>Newly Issued/Amended/Revised Standards and Interpretations</u>                           | <u>Effective Date<br/>Announced by IASB</u> |
|---|---|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”               | January 1, 2023                             |
| IFRS 17 “Insurance Contracts”   | January 1, 2023                             |
| Amendments to IFRS 17 “Insurance Contracts”   | January 1, 2023                             |
| Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information” | January 1, 2023                             |
| Amendments to IAS 1 “Disclosure of Accounting Policies”                                     | January 1, 2023                             |

| <u>Newly Issued/Amended/Revised Standards and Interpretations</u>  | <u>Effective Date<br/>Announced by IASB</u> |
|--|---|
| Amendments to IAS 8 “Definition of accounting estimates”   | January 1, 2023                             |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”                  | January 1, 2023                             |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | Pending for determination by IASB           |

After preliminary assessment, the above standards and interpretations do not have material impact on the financial position and financial performance of the Company. The Company will continue to assess the effects on the Company’s financial position and financial performance from the above standards and interpretations, the related assessment results will be disclosed upon completion.

#### 4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Parent Company Only Financial Statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

##### 4.1 Statement of compliance

The accompanying Parent Company Only Financial Statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### 4.2 Basis of preparation

1. Except for the following material items, these Parent Company Only Financial Statements have been prepared under the historical cost convention :
  - (1) Financial assets and financial liabilities (including derivative instruments) measured at Fair Value Through Profit or Loss (“FVTPL”).
  - (2) Financial assets measured at Fair Value Through Other Comprehensive Income (“FVTOCI”).
  - (3) Liabilities on cash-settled share-based payment arrangements measured at fair value.
  - (4) Defined benefit liabilities recognized based on the present value of defined benefit obligation, net of the pension fund assets.
2. The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Parent Company Only Financial Statements are disclosed in Note 5.
3. When the Company prepares the Parent Company Only Financial Statements, the equity method is adopted to account for investments in subsidiaries, associates and joint ventures. In order to make the current-period profit (loss), other comprehensive income (loss) and equity in the Parent Company Only Financial Statements to be consistent with those attributed to the Company in the Company’s Parent Company Only Financial Statements, the various differences in accounting treatments under stand-alone and consolidated basis are adjusted in the “Investments under equity

method”, “Share of profits of subsidiaries, associates, and joint ventures under equity method”, “Share of other comprehensive income of subsidiaries, associates, and joint ventures under equity method” and other related equity items.

#### 4.3 Foreign currency exchange

1. Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Parent Company Only Financial Statements are presented in New Taiwan Dollars (NT\$), which is the Company’s functional currency.
2. In preparing the Parent Company Only financial statements, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated. Exchange gains and losses relating to loans and cash and cash equivalents are reported as financial costs in the statements of comprehensive income; other exchange gains and losses are reported as other gains and losses in the statements of comprehensive income according to their nature.
3. The assets and liabilities of foreign operations of the Company (including subsidiaries, associates, joint ventures or branches located offshore or using different currencies from that of the Company) are translated into New Taiwan Dollars based on the spot rates on each balance sheet date ; income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.
4. When the Company disposes its foreign operations and loses control, joint control or significant influence over the foreign operations, the amounts previously recognized as equity in relation to the foreign operations are transferred to profit or loss. When the Company disposes part of its foreign operation subsidiaries but does not lose control over the subsidiaries, then the amounts previously recognized as accumulated exchange differences in the other comprehensive income (loss) are combined and included in the computation of the equity transaction proportionately but would not be recorded as profit or loss. When the Company disposes its foreign operation associates or joint equity but does not lose significant influence or joint control or over

the associates or joint equity, then the amounts previously recognized as accumulated exchange differences in the other comprehensive income (loss) is transferred to profit or loss proportional to the disposal ratio.

#### 4.4 Classification standards for current and noncurrent assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets :
  - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (2) Assets held mainly for trading purposes;
  - (3) Assets that are expected to be realized within twelve months from the balance sheet date; or
  - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

All assets that do not meet any of the above criteria are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities :
  - (1) Liabilities that are expected to be paid off within the normal operating cycle;
  - (2) Liabilities arising mainly from trading activities;
  - (3) Liabilities that are to be paid off within twelve months from the balance sheet date; or
  - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet any of the above criteria are classified as non-current liabilities.

#### 4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and that are held for satisfying short-term cash commitments for business operations are classified as cash equivalents.

#### 4.6 Financial instruments

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

Upon initial recognition of financial assets and financial liabilities, they are measured at fair value. Upon initial recognition, the transaction costs that can be directly attributable to obtaining or issuing the financial assets and financial liabilities (except for ones classified

as FVTPL financial assets and financial liabilities) shall be added to or subtracted from the fair value of the financial assets and financial liabilities. The transaction costs that can be directly attributable to obtaining or issuing FVTPL financial assets are recorded in profit or loss in the period occurred.

- 4.7 Financial assets at fair value through profit or loss (“FVTPL financial assets”)
1. Financial assets at fair value through profit or loss (“FVTPL”) include financial assets mandatorily measured at FVTPL and financial assets designated to be measured at FVTPL. Financial assets mandatorily measured at FVTPL include equity instrument investments that are not designated to be measured at fair value through other comprehensive income by the Company, and debt instrument investments that neither meet the classification of those measured at amortized cost or at FVTPL.
  2. For financial assets that are measured at either amortized cost or at FVTPL, when the measurement could be materially reduced or removed, or there is inconsistency in recognition, the Company would designate them as financial assets measured at FVTPL at initial recognition.
  3. Transaction date accounting is adopted for recording customary transactions of FVTPL financial assets.
  4. The Company initially measures at fair value at initial recognition, the related transaction costs are recorded in profit or loss, then subsequently measures at fair value, and the gains or losses are recorded in profit or loss.
  5. When the rights to collect dividends are established, the economic benefits related to the dividends are likely to flow in, and when the dividends could be reliably measured, the Company recognizes the dividend income in profit or loss.
- 4.8 Financial assets at fair value through other comprehensive income (“FVTOCI financial assets”)
1. Refers to the irrevocable choice made at initial recognition to report the changes in fair value of non-trading purpose equity instrument investments in other comprehensive income, or debt instrument investments that meet the following conditions :
    - (1) Hold the financial assets under the business model of holding for the purpose of collecting contractual cash flows and for sale.
    - (2) The cash flows generated on the specified date are fully for payment of principal and interests of outstanding principal.
  2. Transaction date accounting is adopted for recording customary transactions of FVTOCI financial assets.
  3. FVTOCI financial assets are initially measured at fair value, plus transaction costs and subsequently measured at fair value :
    - (1) The changes in fair value of equity instruments are recognized in other comprehensive income. Upon de-recognition, the accumulated gains or losses previously recognized in other comprehensive income may not be subsequently reclassified to profit or loss, but should be transferred to retained earnings. When

the right to receive dividends is established, the related economic benefits related to the dividends is very likely to flow in, and the amount of dividends could be reliably measured, the Company recognizes the dividend income in profit or loss.

- (2) The changes in fair value of debt instruments are recognized in other comprehensive income. Upon de-recognition, the impairment losses, interest income, foreign exchange gains or losses prior to de-recognition are recorded in profit or loss, and the accumulated gains or losses previously recognized in other comprehensive income are transferred from equity to profit or loss.

#### 4.9 Financial assets measured at amortized cost

1. Refers to those meet the all of the following conditions :
  - (1) Hold the financial assets under the business model of holding for the purpose of collecting contractual cash flows and for sale.
  - (2) The cash flows generated on the specified date are fully for payment of principal and interests of outstanding principal.
2. Transaction date accounting is adopted for recording customary transactions financial assets measured at amortized cost.
3. The Company initially measures the financial assets at fair value, plus transaction costs and subsequently recognizes interest income during the outstanding period using the effective interest method and amortization procedures, and impairment losses are also recognized. Upon de-recognition, the gains and losses are recorded in profit or loss.
4. The Company holds time deposits that are not considered cash equivalents. Since the holding periods are short and the impacts of discount is not material, those deposits are measured at their investment amounts.

#### 4.10 Accounts and notes receivable

Refers to, according to contractual agreements, the unconditional receipt of right to the consideration (accounts and notes receivable) for transferring goods or services. For interest-free short-term accounts and notes receivable, since the effect of discounting is immaterial, the Company initially recognizes them at invoice amounts.

#### 4.11 Impairment of financial assets

On each balance sheet date, after considering all reasonable and reliable information (including prospective ones), the Company measures loss allowances for the debt instrument investments measured at FVTOCI, financial assets measured at amortized cost, accounts receivable or contractual assets which comprise material financial components, lease payments receivable, lending commitments, and financial guarantee contracts based on 12-months projected credit loss amount for those without significant increase in credit risk after initial recognition. As to those with significant increase in credit risk after initial recognition, measures loss allowances based on the projected credit loss amount in the existing period ; Regarding the accounts receivable or contractual assets which do not

comprise material financial components, measures loss allowances based on the projected credit loss amount in the existing period.

#### 4.12 Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met :

1. The contractual rights to receive cash flows from the financial asset expire.
2. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
3. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

#### 4.13 Lease payments receivable / Operating lease (lessor)

1. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
  - (1) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease payments receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between the gross investment in the lease and the present value of the gross investment is recognized as unearned finance income.
  - (2) The lessor should allocate finance income over the lease term on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.
  - (3) Lease payments relating to the lease period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
2. An operating lease is a lease other than a finance lease. For operating leases, lease payments, net of any incentives given to the lessee, are recognized as an expense on a straight-line basis over the lease term.

#### 4.14 Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

#### 4.15 Subsidiaries and investments accounted for using the equity method

1. Subsidiaries are all entities (including structural entities) over which the Company has control. When the Company is exposed to variable rewards from participation in the

entity or has rights to the variable rewards and has power to influence the rewards through its power over the entity, the Company controls the entity. Investments in subsidiaries are recognized at cost and are accounted for using the equity method, including the identified goodwill at the time of acquisition, after subtracting any accumulated impairment loss occurred in subsequent assessments.

2. The Company's share of its subsidiaries' profit or loss after the date of acquisition is recognized in the Company's profit or loss, and its share of changes in the associate's other comprehensive income is recognized in the Company's other comprehensive income. When the Company's share of losses of its subsidiaries equals or exceeds its interest in the subsidiaries, the Company continues to recognize its share of losses.
3. Unrealized gains or losses on downstream transactions between the Company and its subsidiaries are eliminated in the Parent Company Only Financial Statements. The gains or losses generated from upstream or sidestream transactions are recognized in the Parent Company Only Financial Statements within the scope that the Company's equity interests in the subsidiaries are not related. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
4. When a subsidiary incurs changes in equity that does not related profit (loss) or other comprehensive income and does not affect the Company's ownership percentage in the subsidiary, the Company records its share of the equity changes as "Capital Surplus" proportionate to its ownership percentage.
5. When the Company's changes of shareholding in a subsidiary does not lead to loss of control (transaction with non-controlling interests), it is treated as equity transaction, that is, transaction with shareholders. The amount of difference between the adjustment amount in non-controlling interests and the fair value of the consideration received or paid is directly recognized as equity.
6. Upon loss of control over a subsidiary, the Company remeasures any retained investment in the former subsidiary at its fair value, which then becomes the initial recognition cost of financial assets at fair value or investments in associates or joint ventures. Any difference between the fair value and carrying amount is recognized in profit or loss. For all the amounts previously recognized as other comprehensive income and related to the subsidiary, the basis of accounting treatment is the same as if the Company disposes of the related assets or liabilities. That is, if the gains or losses previously recorded as other comprehensive income (loss) would be reclassified to profit or loss upon disposal of the related assets or liabilities, then, upon loss of control over the subsidiary, the gains or losses would be reclassified to profit or loss from equity.
7. According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the current-period profit or loss, other comprehensive income and shareholders' equity in the Parent Company Only Financial Statements should be

consistent with those allocated to the parent company shareholder in the financial statements prepared based on consolidated basis.

#### 4.16 Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance is recognized in profit or loss as incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the various components of property, plant and equipment are significant, they are depreciated individually.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows :

|                          |              |
|--------------------------|--------------|
| Buildings                | 3 ~ 60 years |
| Machinery                | 3 ~ 15 years |
| Transportation equipment | 5 ~ 15 years |
| Other equipment          | 2 ~ 50 years |

5. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.
6. Part of the Company's depreciable assets in Guanyin Factory, Guishan Factory, and Taipei Liaison Office, upon filing tax returns, were originally depreciated using the Fixed Percentage on Declining Base Method ; However, due to the Company had changed to average method in 1995, such change had been approved by Northern-Area-National-Tax-Tao-Xian-Shen No. 84073136 Letter, dated August 1, 1995.

#### 4.17 Lease agreements (lessee) – Right-of-use assets / Lease liabilities

1. Leased assets are recorded as right-of-use assets and lease liabilities on the date when available for use by the Company. When lease contracts are of short-term or leases for

low-value lease assets, lease payments are recorded as expenses on straight-line basis over the lease period.

2. Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantial fixed payments, variable lease payments determined by indices or fee rates, expected amount of payment by lessee under residual-value guarantee, price of reasonably expected execution price for purchasing the right-of-use asset, and expected termination penalty from execution of option to terminate the lease by the lessee during the lease period, less the lease incentive received). Lease liabilities are subsequently measured at amortized costs using the effective interest method, and interest expenses are allocated among the lease periods. If there is change in future lease payment due to change in assessment of lease period and purchase option of underlying asset, change in expected amount of payment by lessee under residual-value guarantee, or change in indices or fee rates used to determine lease payments, the Company will re-measure the lease liabilities and adjust the right-of-use assets accordingly.
3. Right-of-use assets are initially recognized at cost, including the initial measurement amount of lease liabilities, then subsequently measured at the amount of costs. Depreciation for right-of-use asset is recognized based on either the economic useful life or the lease period, whichever is earlier. If the lease liabilities are re-assessed, then adjust the remeasurement amount of the lease liabilities.

#### 4.18 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes) and include land held for a currently undetermined future use. Investment properties are initially measured at cost, including transaction costs, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Except for land, depreciation is recognized using the straight-line method based on the estimated useful life. On de-recognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

#### 4.19 Intangible assets

Separately acquired intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the estimated lives, and the estimated useful life and amortization method for an intangible asset are reviewed at each financial year-end. Any change in estimates is accounted for on a prospective basis. An intangible asset is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal of the assets is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognized in profit or loss in the period occurred.

#### 4.20 Impairment of non-financial assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When the indication of impairment loss recognized in prior years for an asset other than goodwill no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

#### 4.21 Borrowings

Borrowings are initially recognized at their fair value, less the transaction costs and subsequently measured at the amortized cost adopting the effective interest method based on any difference between the proceeds after subtracting the transaction costs and redemption value during the borrowing period.

#### 4.22 Accounts payable and notes payable

Accounts payable and notes payable are generated from acquisition of goods or services from vendors in the ordinary course of business. They are initially recognized at fair value and subsequently remeasured at amortized cost using the effective interest method. Interest income is recognized by applying the effective interest rate, except for short-term payables when the effect of discounting is immaterial and are subsequently measured at initially invoiced amounts.

#### 4.23 Financial liabilities at fair value through profit or loss ("FVTPL financial liabilities")

1. Financial liabilities are initially designated as financial liabilities at fair value through profit or loss ("FVTPL"). When financial liabilities meet one of the following conditions, the Company will assign them as measured at fair value through profit or loss upon initial recognition :
  - (1) They are hybrid (combined) contracts; or
  - (2) They eliminate or significantly reduce measurement or recognition inconsistencies ; or
  - (3) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
2. Financial liabilities at FVTPL are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.
3. For the financial liabilities at FVTPL, when the changes in their fair value are generated from credit risks, except for avoiding accounting mismatch, loan commitments and financial guarantees that should be recorded in profit or loss, the changes in their fair value are recorded in other comprehensive income.

#### 4.24 Non-hedging derivative instruments and embedded derivative instruments

1. Non-hedging derivative instruments are measured at their fair value on the contract signature date when initially recognized, recorded as financial assets or liabilities at FVTPL and subsequently measured at fair value, with the gains or losses recognized in profit or loss.
2. For embedded derivative instruments financial assets with mixed contracts, based on the contractual terms at initial recognition, the mixed instruments as a whole are either classified as financial assets measured at FVTPL, FVTOCI, or amortized cost.
3. For embedded derivative instruments non-financial assets with mixed contracts, based on the contractual terms at initial recognition, judgements are made to determine if the embedded derivative instruments are closely related to the economical characters and risk of the main contract and determine whether or not they should be treated separately. When closely related, the mixed instruments as a whole, based on their nature, are treated with proper respective standards. When not closely related, the derivative instruments are treated as separate derivative instruments with the main contract, and the main contract, based on its nature, is treated with proper respective standards ; or the derivative instruments and the main contract as a whole are designated as financial assets or liabilities at FVTPL at initial recognition.

#### 4.25 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as interest expense. Provisions are not recognized for future operating losses.

#### 4.26 Employee benefits

##### 1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render their services.

##### 2. Pensions

###### (1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.

## (2) Defined benefit plans

- A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current or prior period(s). The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the obligation.
- B. Remeasurements of defined benefit plans are recognized in other comprehensive income as incurred and are recorded as retained earnings.
- C. Past-service costs are recognized immediately in profit or loss.

### 3. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to their present value.

### 4. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

## 4.27 Financial liabilities and equity instruments

### 1. Classification as financial liabilities or equity instruments

Financial instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3. Financial liabilities

Financial liabilities other than those held for trading purposes and those designed as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

4. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5. Offsetting financial assets and financial liabilities

Only when there is legally enforceable right allowing the amounts of recorded financial assets and liabilities to offset with each other, and the parties intent to settle on a net basis or to realize the assets and repay liabilities at the same time, so that the financial assets and financial liabilities may offset against each other and presented using net amounts in the balance sheets.

4.28 Share capital

Ordinary shares are classified as equity. The classification of preferred stocks is based on the special rights entitled to preference shares based on the substance of the contract and the definition of financial liabilities and equity instruments. If preferred stocks meet the definition of a financial liability, they are classified as liabilities; otherwise, they are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recognized in equity as a deduction from the proceeds.

4.29 Share-based payments

1. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
2. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay

for those services, and are recognized as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognized in profit or loss.

#### 4.30 Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Parent Company Only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority

on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

6. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
7. The difference between the Company's income tax estimation in prior years and the assessed adjustments by the tax authorities are recorded as income tax adjustment items in the current period.

#### 4.31 Revenue recognition

After the Company identifies the contractual obligations with the customers, the transaction prices are allocated to the respective contractual obligations, and revenue is recognized when the respective contractual obligations are fulfilled.

##### 1. Sale of goods

- (1) The Company manufactures and sells fiber and products related to petrochemical materials. Revenue is recognized upon transferring control of the products to the customers, that is, when the products are handed to the customers. The customers have discretionary power over the sales channel and price, and, after the products are handed to the customers, the Company does not have further unfulfilled contractual obligation which may affect the acceptance of the products by the customers. When the products are delivered to the designated location, the risk of obsolete, outdated and loss of the products has been transferred to the customers, and when the customers accept the products per sales contracts, or when there is objective evidence proving all of the acceptance standards are satisfied, the handover of the products have occurred.
- (2) Revenue from sale of fiber and products related to petrochemical materials is recognized at net amount of the contract price, less the estimated discounts and other similar allowances. The amount of Recognized revenue is limited to extent that it is highly possible that it would not be materially reversed, and the estimation is updated on each balance sheet date. The estimated discount payable to customers and other similar allowance as of the balance sheet date are recorded as refund liabilities.
- (3) The Company offers standard warranty for its sold products, bears the obligation to refund for defects and recognizes provisions upon selling of the products.
- (4) Accounts receivable are recognized when the products are handed to the customers, because from then on, the Company has un-conditional right to the contact price, and it is just a matter of time to collect the consideration from the customers. The unearned receipts before the goods arrive are recorded as contractual liabilities.
- (5) The collection terms of the sales contracts that the Company signed with the

customers are consistent with those of the market normal practices. Therefore, it is determined that the contracts do not contain material financial component. As for the contracts where with the time span from transferring the committed products or services to the collection of consideration within one year, the material financial components are not adjusted to and the time value of currency is not reflected on the transaction price.

- (6) Although the incremental costs generated from the Company's intent to obtain contracts with the customers are expected to recover, due to that the contract duration is shorter than one year, those costs are recorded as expenses when they occur.
- (7) When processing materials supplied by the customers, since the control of ownership of the processed products is not transferred, no revenue is recognized when the materials are delivered.

## 2. Provision of services

The Company's provided services mainly consist of consigned processing services for customers, and revenue is recognized when the committed services are transferred to the customers (that is, when the customers obtain control over the assets) and when there is no further obligation.

### 4.32 Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate. If the purpose of the grants is to provide the Company with immediate financial support and without future related cost, then the grants are recorded in profit or loss in the period when they are receivable. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

## 5. Major Sources of Critical Accounting Judgments, Estimates and Uncertainties

Since the results of the Parent Company Only Financial Statements are affected by the adopted accounting policies, accounting estimates, assumptions and other factors, when the Company adopts the material accounting policies in Note 4, regarding information that cannot be easily obtained from other sources and may lead to material misstatement in the Parent Company Only Financial Statements, the management has to utilize appropriate professional judgement, estimates, and assumptions. The Company's estimates and the related assumptions are the best estimates made according to the effective IFRSs endorsed and issued by FSC. The estimates and assumptions based on historical experiences and other

factors considered relevant, but the actual results may still differ from the estimates. The Company continues to review these estimates and assumptions. If amendments to the estimates affect only the current period, the amendment would only be recorded in the current period ; If amendments to the estimates affect the current and future periods, then the amendments would be recorded in the current and future periods.

#### 5.1 Critical judgements in applying accounting policies

Except for judgements related to estimates (refer to 5.2 below), the following lists the most significant judgements that were made by the management during the process of adopting the accounting policies and have significant impacts on the recorded amounts in the financial statements :

##### 1. Judgement made on the business model of classification of financial assets

Based on the reflected common administrative level for achieving specific business goals by the groups of financial assets, the Company assesses the business models where the financial assets belong. This assessment requires consideration for all relevant evidence, including ways to measure performances of the assets, risks that would affect performances, and the method to determine compensation to the related managers, and utilization of judgments is also required. The Company continuously evaluates if its judgements for the business model is appropriate or not and monitors and understand if the disposals of the financial assets measured at amortized cost or the debt instrument investments measured at FVTOCI are consistent with goals of the business model. If it is discovered that the business model has been altered, the Company would postpone the adjustment to the classification of the financial assets acquired subsequently. The Company reclassifies the financial assets according to IFRS 9.

##### 2. Investment properties

The purpose for holding part of the real estate by the Company is either for earning rentals or capital appreciation, including real estate held for undetermined purpose in the future, while the rests are for self-use. When the respective parts may be sold individually, and only when the self-use part is immaterial to the individual real estate, the real estate would be classified under the category of investment property.

##### 3. Operating lease commitment – when the Company is lessor

The Company had signed commercial rental contracts and rented out part of its property sets. Based on the assessment on basic terms of the contacts, the Company still retains material risks and rewards of the ownership rights of these properties and has treated such contracts as operating leases.

#### 4. Lease period

When determining lease period, the Company considers all relevant facts and conditions that generate economic incentives to exercise (or not to exercise) options, including any anticipated changes to the facts or conditions from the starting date to the execution date of the options. Factors considered include contractual terms and conditions during the contractual period of the options, material leasehold improvement conducted during the contractual period (or expected contractual period), importance of the target assets to the Company's operations, etc. When there is material change in material event or condition within the Company's controlling scope, re-assess the lease period.

#### 5.2 Critical accounting estimates and assumptions

The accounting estimates made by the Company are based on the reasonable expectation of the future events under the condition of the specified dates, but the actual results may differ from the estimates. The following describes the estimates and assumptions that may have risks of material adjustments to the carrying assets and liability amounts in the next financial year :

##### 1. Estimated impairment on financial assets

The assessment of impairment loss on accounts receivable is based on the Company's assumptions regarding default rate and expected loss ratio. The Company considers past experience, current market condition and prospective information to make the assumptions and choose the input value for the impairment loss assessment. For the material assumptions and input value used, please refer to illustrations in Note 6.4 for details. If the actual future cash flows are less than expected, material impairment loss may occur. As of December 31, 2021 and 2020, the book value of the Company's receivables were \$1,638,572 thousand and \$1,289,182 thousand, respectively.

##### 2. Valuation of inventories

As inventories are stated at the lower of cost and net realizable value; thus, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realizable value. Such valuation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the valuation. As of December 31, 2021 and 2020, the book value of the Company's inventories were \$2,233,256 thousand and \$1,071,942 thousand, respectively (net of allowances for inventory obsolete or valuation losses of \$118,689 thousand and \$69,338 thousand, respectively).

3. Procedures to measure fair value and valuation

When there is no market quotes in an active market for the assets and liabilities measured at fair value, the Company, according to applicable laws and regulations or its own judgement, determines whether or not to outsource the valuation work and determine the proper fair-value valuation technique. If level one input value could not be obtained when estimating the fair value, the Company refers to the financial condition and operating results of the investees, most recent transaction prices, quotes in inactive market for the same equity instrument, quotes for similar instruments in active market, valuation multipliers for comparable companies and other information and determine the input value. If, in the future, the actual changes in input value differ from the expected value, changes in fair value may result. To monitor if the fair-value measurement is appropriate or not, the Company periodically updates the various input value based on market conditions. For illustrations to the fair-value valuation technique and input value, please refer to Note 12.4 for details. As of December 31, 2021 and 2020, the book value of the Company's investments in non-public stocks were \$246,998 thousand and \$208,709 thousand, respectively.

4. Impairment assessment of investments accounted for using the equity method

The Company assesses the impairment of an investment accounted for using the equity method once there is any indication that it might have been impaired and its carrying amount cannot be recoverable. The Company assesses the recoverable amounts of an investment accounted for using the equity method based on the present value of the Company's share of expected future cash flows of the investee or the present value of expected cash dividends receivable from the investee and expected future cash flows from disposal of the investment, analyzing the reasonableness of related assumptions. As of December 31, 2021 and 2020, after careful assessment by the Company, there was no material impairment loss.

5. Impairment assessment of tangible and intangible assets

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Company's strategy might result in material impairment of assets in the future. As of December 31, 2021 and 2020, the recorded accumulated impairment amount of the Company's intangible assets were both \$2,175 thousand.

6. Realizability of deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized.

The Company's management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred tax assets. As of December 31, 2021 and 2020, the Company recorded \$75,895 thousand and \$128,793 thousand of deferred income tax assets, respectively ; The non-recorded deferred income tax assets of the Company due to not very likely to have taxable income were \$0 and \$54,640 thousand, respectively.

7. Calculation of net defined benefit obligation

When calculating the present value of defined pension obligations, the Company uses judgments and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate. Changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligations. As of December 31, 2021 and 2020, the book value of the Company's net defined benefit obligation were \$103,778 thousand and \$111,549 thousand, respectively.

8. Incremental borrowing interest rate of lessee

When determining the lessee's incremental borrowing interest rate used for discounting lease payments, the risk-free rate under the same currency and relevant period is used as reference benchmark, along with consideration on the lessee's credit risk premium and specific lease adjustment (factors such as pledge of assets).

## 6. Description of Significant Accounts

### 6.1 Cash and cash equivalents

| Item                        | December 31, 2021 | December 31, 2020 |
|-----------------------------|-------------------|-------------------|
| Cash on hand and petty cash | \$ 1,989          | \$ 1,983          |
| Checking account            | 20,611            | 3,386             |
| Demand deposits             | 16,185            | 30,042            |
| Foreign currency deposits   | 2,363             | 3,887             |
| Total                       | \$ 41,148         | \$ 39,298         |

The Company has no cash and cash equivalents pledged to others.

### 6.2 FVTPL financial assets – current

| Item                                    | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Mandatorily measured at FVTPL           |                   |                   |
| Listed stocks                           | \$ 916,083        | \$ 602,967        |
| Derivatives - forward exchange contract | -                 | 207               |
| Derivatives – foreign exchange swap     | 24                | -                 |
| Total                                   | \$ 916,107        | \$ 603,174        |

- Regarding details for the financial assets mandatorily measured at FVTPL (not including derivative instruments), please refer to Note 13(1) (2)-3.
- The net gain (loss) (not including derivative instruments) recorded in profit or loss in 2021 and 2020 were \$253,761 thousand and \$14,717 thousand.
- The purpose for the Company to engage in transactions in derivative instruments is to avoid risks on foreign-currency assets or liabilities due to exchange fluctuations, however, without adopting hedge accounting. As of December 31, 2021 and 2020, the existing contract assets (liabilities) for the derivative instruments are as following :

| Financial Instrument          | Buy/Sell<br>Currency | Contract Amount       | Fair Value | Contract Period Until<br>Expiration |
|-------------------------------|----------------------|-----------------------|------------|-------------------------------------|
| (1) December 31, 2021 :       |                      |                       |            |                                     |
| Buy forward exchange contract | JPY/NTD              | JPY107,000/NTD27,264  | (\$ 1,526) | 2022. 1. 21.                        |
| Foreign exchange swap         | USD/NTD              | USD 3,980/NTD110,122  | \$ 24      | 2021. 1. 10. ~<br>2022. 1. 14.      |
| (2) December 31, 2020 :       |                      |                       |            |                                     |
| Buy forward exchange contract | JPY/NTD              | JPY524,000/NTD142,634 | \$ 207     | 2021. 1. 25. ~<br>2021. 6. 25.      |

The recorded net loss in 2021 and 2020 due to the Company's engagement in derivative contractual transactions were \$6,249 thousand and \$1,124 thousand, respectively.

4. The Company has no FVTPL financial assets - current pledged to others.

#### 6.3 Notes receivable (including related parties)

| Item                                     | December 31, 2021 | December 31, 2018 |
|--|-------------------|-------------------|
| Notes receivable                         | \$ 269,770        | \$ 220,967        |
| Less : Allowance for losses              | -                 | -                 |
| Subtotal                                 | 269,770           | 220,967           |
| Total notes receivable - related parties | -                 | 66                |
| Less : Allowance for losses              | -                 | -                 |
| Subtotal                                 | -                 | 66                |
| Net amount                               | \$ 269,770        | \$ 221,033        |

1. All of the Company's notes receivable are not overdue; the expected rate of credit loss is 0%.

2. The Company has no notes receivable pledged to others.

#### 6.4 Accounts receivable (including related parties)

| Item                                      | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Accounts receivable                       | \$ 1,283,292      | \$ 961,459        |
| Less : Allowance for doubtful receivables | -                 | -                 |
| Subtotal                                  | 1,283,292         | 961,459           |
| Accounts receivable - related parties     | 77,999            | 79,169            |
| Less : Allowance for losses               | -                 | -                 |
| Subtotal                                  | 77,999            | 79,169            |
| Net amount                                | \$ 1,361,291      | \$ 1,040,628      |

1. The loss allowances (including related parties) for accounts receivable measured according to the provision matrix are as following :

| Aging                  | December 31, 2021 |                      |             | December 31, 2020 |                      |             |
|------------------------|-------------------|----------------------|-------------|-------------------|----------------------|-------------|
|                        | Total amount      | Allowance for losses | Net amount  | Total amount      | Allowance for losses | Net amount  |
| Not overdue            | \$1,235,463       | \$ -                 | \$1,235,463 | \$1,025,267       | \$ -                 | \$1,025,267 |
| Overdue 1 ~ 30 days    | 119,491           | -                    | 119,491     | 9,738             | -                    | 9,738       |
| Overdue 31 ~ 90 days   | 6,025             | -                    | 6,025       | 4,628             | -                    | 4,628       |
| Overdue 91 ~ 180 days  | 244               | -                    | 244         | 927               | -                    | 927         |
| Overdue 181 ~ 365 days | -                 | -                    | -           | 68                | -                    | 68          |
| Overdue over 365 days  | 68                | -                    | 68          | -                 | -                    | -           |
| Total                  | \$1,361,291       | \$ -                 | \$1,361,291 | \$1,040,628       | \$ -                 | \$1,040,628 |

The above analysis is based on the number of days overdue.

The expected rate of credit loss for the above respective account aging intervals (excluding abnormal receivables that are recognized 100%), Not overdue and Overdue within 90 days : 0% ~ 5%, Overdue 90 ~ 365 days : 25% ~ 50%, Overdue 365 or more days : 100%. The risk of expected credit loss for the Company's non-overdue accounts receivable is very low ; For the part of overdue accounts receivable as of the balance sheet date, after considering other credit enhancing guarantees, subsequent receipts and offset conditions and other reasonable and verifiable information, the Company determines that there is no material change in the credit quality, and there is also no significant increase in credit risk after initial recognition. Therefore, the Company's management expects that such accounts receivable are not subjected to material credit loss due to default from the transaction parties. Therefore, allowance for losses was not adjusted.

2. The Company adopts the simplified method in applying IFRS 9 and recognizes allowance for the uncollectable accounts based on the expected credit loss during the existing period. The expected credit loss during the existing period is computed using provision matrix, after considering the customer's past defaulted records, history of past receipts, condition of increase in deferred payments that exceed the average credit period, the customer's present financial condition, and changes and prospective of observable country-wide or regional economic conditions and other prospective considerations. Since the Company's past credit loss experience shows that there was no significant difference in the types of loss among the different groups of customers, the provision matrix does not further distinguish these customer groups but only sets the expected rate of credit loss based on number of overdue days of the accounts receivable and actual conditions. The Company does not hold any collateral for the accounts receivable.

If there is evidence shows that the transaction party has severe financial difficulties, and the Company could not be reasonably expected to recover the amounts, the Company would recognize 100% loss allowance or direct write off of the related accounts receivable. However, the Company would still continue the collection activities, and any recovered amount is recorded in profit or loss.

3. Movements of the allowance for losses (including related parties) : None
4. The Company has no accounts receivable (including related parties) pledged to others.

## 6.5 Other receivables

| Item                           | December 31, 2021 | December 31, 2020 |
|--------------------------------|-------------------|-------------------|
| Tax refund receivable          | \$ 4,073          | \$ -              |
| Discount receivable            | 1,302             | -                 |
| Government grants receivable   | 150               | 15,493            |
| Investment proceeds receivable | -                 | 9,557             |
| Others                         | 1,986             | 2,471             |
| Total                          | \$ 7,511          | \$ 27,521         |

## 6.6 Inventories

| Item                                  | December 31, 2021 |                     |             | December 31, 2020 |                     |             |
|---------------------------------------|-------------------|---------------------|-------------|-------------------|---------------------|-------------|
|                                       | Cost              | Valuation allowance | Book value  | Cost              | Valuation allowance | Book value  |
| Raw materials                         | \$ 392,513        | \$ 25,458           | \$ 367,055  | \$ 213,644        | \$ 8,085            | \$ 205,559  |
| Supplies                              | 123,937           | 302                 | 123,635     | 93,857            | 40                  | 93,817      |
| Work in process                       | 186,993           | 6,186               | 180,807     | 130,879           | 5,070               | 125,809     |
| Finished goods                        | 1,338,258         | 74,330              | 1,263,928   | 666,091           | 53,713              | 612,378     |
| Finished goods purchased from outside | 49,577            | 12,413              | 37,164      | 25,867            | 2,430               | 23,437      |
| In-transit raw materials              | 260,667           | -                   | 260,667     | 10,942            | -                   | 10,942      |
| Total                                 | \$2,351,945       | \$ 118,689          | \$2,233,256 | \$1,141,280       | \$ 69,338           | \$1,071,942 |

1. Cost of goods sold and other operating costs :

| Item   | 2021         | 2020         |
|--|--------------|--------------|
| Cost of goods sold                                 | \$ 9,844,547 | \$ 7,329,285 |
| Plus : Outsourced processing costs                 | 27,824       | 22,561       |
| Plus : Unallocated labor and overheads             | 109,001      | 339,182      |
| Plus : Loss on scrapping of inventories            | 1,218        | 3,183        |
| Plus : Loss on inventory counts, net               | 4            | -            |
| Plus : Loss on net realizable value of inventories | 49,351       | -            |
| Less : Gain on inventory counts, net               | -            | ( 205)       |
| Less : Gain from price recovery of inventories     | -            | ( 91,356)    |
| Less : Scrap sales                                 | ( 40,525)    | ( 24,031)    |
| Recorded operating cost                            | \$ 9,991,420 | \$ 7,578,619 |

2. In the years of 2021 and 2020, the Company recorded \$49,351 thousand and (\$91,356) thousand of loss on net realizable value (gain from price recovery) of inventories, respectively, mainly due to price recovery of inventories and consumption of stock.

3. The Company has no inventories pledged to others.

6.7 Prepayments

| Item                      | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|
| Prepayments for materials | \$ 40,761         | \$ 15,069         |
| Prepaid insurance         | 571               | 628               |
| Office supplies           | 282               | 281               |
| Input VAT                 | 511               | 461               |
| Others                    | 5,262             | 2,154             |
| Total                     | \$ 47,387         | \$ 18,593         |

## 6.8 FVTOCI financial assets – noncurrent

| Item  | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Domestic unlisted stocks  |                   |                   |
| Lilyent Corp.   | \$ 28,812         | \$ 28,812         |
| Yen Hsing Textile Co., Ltd.   | 90,090            | 90,090            |
| Yi Tong Fiber Co., Ltd.   | 19,800            | 19,800            |
| Chu Sing Industrial Co., Ltd.   | 700               | 700               |
| Ability I Venture Capital Corp.   | 14,229            | 22,950            |
| Ability Asia Capital Corp.  | 20,000            | 20,000            |
| Domestic limited partnership  |                   |                   |
| Ability Asia Capital II<br>Outstanding Transformation<br>Growth Limited Partnership | 13,200            | –                 |
| Subtotal  | 186,831           | 182,352           |
| Plus : Valuation adjustment   | 60,167            | 26,357            |
| Net amount  | \$ 246,998        | \$ 208,709        |

- The Company's investments in the above domestic unlisted stocks are not held for short-term profit. The management thinks that if fluctuations in short-term fair value of such investments are recorded in profit or loss, the accounting treatment would not be consistent with the investment planning. Therefore, it is determined that these investments are designated as measured at FVTOCI.
- From January 1, 2021 to December 31, 2021, the Company made \$13,200 thousand of new equity investment in Ability Asia Capital II Outstanding Transformation Growth Limited Partnership ; As of December 31, 2021, the Company had \$13,200 thousand of accumulated equity investment in the above limited partnership, which accounted for 1.58% of the total subscription amount. The Company plans to make \$40,000 thousand of total investment in the limited partnership.
- Using June 10, 2021 as the base date, Ability I Venture Capital Corp. reduced its capital by cash and cancelled 29,070 thousand shares of its common shares, totaled \$290,700 thousand, with capital reduction rate of 38%. 872 thousand shares held by the Company were cancelled due to the capital reduction, and the returned capital was \$8,721 thousand.
- Using July 21, 2020 as the base date, Ability I Venture Capital Corp. reduced its capital by cash and cancelled 8,500 thousand shares of its common shares, totaled \$85,000 thousand, with capital reduction rate of 10%. 255 thousand shares held by the Company were cancelled due to the capital reduction, and the returned capital was \$2,550 thousand.

5. The Company's investments in structural individual entities are limited partnership equity interests in nature, therefore, there was no transaction quantity or unit transaction price. In addition, the Company only bears the rights and obligations to the extent of the scope of investment contracts and does not have significant influence over those investments. Therefore, the largest risk exposure amounts as of the balance sheet date were the book value of those investments.
6. In 2021 and 2020, the net gain (loss) due to fair-value fluctuations was \$33,810 thousand and \$12,248 thousand, respectively, and was recorded in other comprehensive income and accumulated in other equity ; The amount directly transferred to retained earnings from accumulated profit or loss from disposal of investments was zero for both years.
7. None of the Company's held FVTOCI financial assets is offered as collateral or pledged to others.

## 6.9 Investments accounted for using the equity method

### 1. Subsidiary

| Investee   | December 31, 2021 |           | December 31, 2020 |           |
|--|-------------------|-----------|-------------------|-----------|
|  | Book value        | Holding % | Book value        | Holding % |
| ZIS Holding Co., Ltd.                              | \$ -              | 100%      | \$ -              | 100%      |
| Nicest Int'L Trading Corp.                         | 17,648            | 100%      | 16,564            | 100%      |
| Ding Sheng Material Technology Corporation Limited | 3,561             | 100%      | 4,828             | 100%      |
| Total  | \$ 21,209         |           | \$ 21,392         |           |

2. ZIS Holding Co., Ltd. is the Company's 100% foreign investee company. The Company invested 5,400 thousand shares of the company, USD1.00 per share, totaled USD5,400 thousand. The investment had been approved by the Investment Commission, MOEA with Jing-Shen-Er-Zi No. 091018941 Letter on August 1, 2002.
3. Nicest Int'L Trading Corp. is the Company's 100% foreign investee company. The Company's invested 300 thousand shares of the company, USD1.00 per share, totaled USD300 thousand. The investment had been approved by the Investment Commission, MOEA with Jing-Shen-Er-Zi No. 10200461630 Letter on December 12, 2013.
4. The shares of profit (loss) and other comprehensive income from the subsidiaries under equity method in 2021 and 2020 were evaluated and recognized according to the audited financial statements of the investee companies in the respective periods.
5. The Company's shares of profit (loss) and other comprehensive income from the subsidiaries under equity method are as follows :

| Name of subsidiary                                 | 2021                   |  | 2020                   |  |
|--|------------------------|--|------------------------|--|
|  | Share of profit (loss) | Share of other comprehensive income (loss) | Share of profit (loss) | Share of other comprehensive income (loss) |
| ZIS Holding Co., Ltd.                              | \$ -                   | \$ -                                       | \$ -                   | \$ -                                       |
| Nicest Int'L Trading Corp.                         | 1,625                  | (135)                                      | 2,879                  | 243  |
| Ding Sheng Material Technology Corporation Limited | (757)                  | 84   | 2,179                  | 192  |
| Total  | \$ 868                 | (\$ 51)                                    | \$ 5,058               | \$ 435                                     |

6. In 2021 and 2020, due to unrealized sales gains, the Company's investment amounts under equity method were adjusted and reduced by \$1,370 thousand and \$370 thousand, respectively; Due to realized sales gains, the Company's investment amounts under equity method were adjusted and increased by \$370 thousand and \$624 thousand, respectively.
7. None of investments accounted for using the equity method held by the Company were pledged to others.
8. For information regarding the Company's subsidiaries, please refer to Note 4.3 of the Company's 2021 Consolidated Financial Statements.
9. As of December 31, 2021 and 2020, the total asset, total liability and total equity of the Company's invested subsidiary ZIS Holding Co., Ltd. were all zero, and the subsidiary did not have any income, expenses or losses during the above periods. Therefore, the subsidiary is not included as a component entity in the Company's Consolidated Financial Statements.
10. For the Company's investments in companies in Mainland China through ZIS Holding Co., Ltd. and Nicest Int'L Trading Corp., please refer to Note 13.3 Disclosures of Investments in Mainland China.

#### 6.10 Property, plant and equipment

| Item   | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Land   | \$ 1,786,837      | \$ 1,786,837      |
| Buildings  | 2,980,375         | 2,939,680         |
| Machinery  | 9,379,348         | 8,983,012         |
| Transportation equipment                               | 80,913            | 80,624            |
| Other equipment  | 335,014           | 258,297           |
| Equipment to be inspected and construction in progress | 64,934            | 270,825           |
| Total cost   | 14,627,421        | 14,319,275        |
| Less : Accumulated depreciation                        | (9,910,208)       | (9,581,227)       |
| Less : Accumulated impairment                          | (2,175)           | (2,175)           |
| Net amount   | \$ 4,715,038      | \$ 4,735,873      |

| Item                                      | Land        | Buildings   | Machinery   | Transportation equipment | Other equipment | Equipment to be inspected and construction in progress | Total        |
|---|-------------|-------------|-------------|--------------------------|-----------------|--|--------------|
| Cost :                                    |             |             |             |                          |                 |  |              |
| Balance, January 1, 2021                  | \$1,786,837 | \$2,939,680 | \$8,983,012 | \$80,624                 | \$258,297       | \$270,825  | \$14,319,275 |
| Additions                                 | -           | 3,219       | 25,792      | 2,061                    | 17,555          | 166,298  | 214,925      |
| Disposals                                 | -           | -           | (110,809)   | (1,897)                  | (3,222)         | -  | (115,928)    |
| Reclassification                          | -           | 37,476      | 481,353     | 125                      | 62,384          | (372,189)  | 209,149      |
| Balance, December 31, 2021                | \$1,786,837 | \$2,980,375 | \$9,379,348 | \$80,913                 | \$335,014       | \$64,934   | \$14,627,421 |
| Accumulated depreciation and impairment : |             |             |             |                          |                 |  |              |
| Balance, January 1, 2021                  | \$-         | \$1,523,869 | \$7,782,420 | \$75,122                 | \$201,991       | \$-  | \$9,583,402  |
| Depreciation expense                      | -           | 94,104      | 334,779     | 2,140                    | 13,446          | -  | 444,469      |
| Disposals                                 | -           | -           | (110,369)   | (1,897)                  | (3,222)         | -  | (115,488)    |
| Reclassification                          | -           | -           | -           | -                        | -               | -  | -            |
| Balance, December 31, 2021                | \$-         | \$1,617,973 | \$8,006,830 | \$75,365                 | \$212,215       | \$-  | \$9,912,383  |

| Item                                      | Land        | Buildings   | Machinery   | Transportation equipment | Other equipment | Equipment to be inspected and construction in progress | Total        |
|---|-------------|-------------|-------------|--------------------------|-----------------|--|--------------|
| Cost :                                    |             |             |             |                          |                 |  |              |
| Balance, January 1, 2020                  | \$1,786,837 | \$2,893,263 | \$8,439,161 | \$81,781                 | \$249,745       | \$393,458  | \$13,844,245 |
| Additions                                 | -           | 3,457       | 17,565      | 665                      | 2,638           | 151,386  | 175,711      |
| Disposals                                 | -           | (370)       | (71,777)    | (1,822)                  | (2,840)         | -  | (76,809)     |
| Reclassification                          | -           | 43,330      | 598,063     | -                        | 8,754           | (274,019)  | 376,128      |
| Balance, December 31, 2020                | \$1,786,837 | \$2,939,680 | \$8,983,012 | \$80,624                 | \$258,297       | \$270,825  | \$14,319,275 |
| Accumulated depreciation and impairment : |             |             |             |                          |                 |  |              |
| Balance, January 1, 2020                  | \$-         | \$1,429,907 | \$7,400,761 | \$73,997                 | \$192,855       | \$-  | \$9,097,520  |
| Depreciation expense                      | -           | 94,254      | 452,166     | 2,947                    | 11,972          | -  | 561,339      |
| Disposals                                 | -           | (292)       | (70,507)    | (1,822)                  | (2,836)         | -  | (75,457)     |
| Reclassification                          | -           | -           | -           | -                        | -               | -  | -            |
| Balance, December 31, 2020                | \$-         | \$1,523,869 | \$7,782,420 | \$75,122                 | \$201,991       | \$-  | \$9,583,402  |

Note : The net increase from reclassifications of inventories in 2021 and 2020 were \$17,844 thousand and \$37,672 thousand, respectively ; reclassifications from prepayments for equipment were \$192,658 thousand and \$338,456 thousand, respectively ; Reclassifications to intangible assets were \$1,353 thousand and \$0, respectively.

1. The Company's property, plant and equipment are mainly for self-use.
2. Reconciliation between the additions of property, plant and equipment in the current period and those in the statements of cash flows:

| Item   | 2021      | 2020      |
|--|-----------|-----------|
| Increase in property, plant and equipment            | \$214,925 | \$175,711 |
| Plus : Decrease (increase) in payables for equipment | 3,089     | (6,670)   |
| Cash payment   | \$218,014 | \$169,041 |

3. The amount of capitalized borrowing cost and interest interval of property, plant and equipment : None

4. Material components of property, plant and equipment are depreciated at straight-line method based on the following useful lives :

(1) Buildings

|                        |             |                                    |             |
|------------------------|-------------|------------------------------------|-------------|
| Main factory buildings | 20~60 years | Warehouses and dorms               | 10~60 years |
| Auxiliary buildings    | 5~60 years  | Electric water purification equip. | 9~40 years  |
| Others                 | 5~50 years  |                                    |             |

(2) Machinery and equipment

|                       |            |                                |            |
|-----------------------|------------|--------------------------------|------------|
| Manufacturing equip.  | 5~25 years | Auxiliary manufacturing equip. | 3~21 years |
| Electric power equip. | 8~18 years | Air conditioner and boilers    | 5~16 years |
| Auto-storage equip.   | 9~16 years |                                |            |

(3) Transportation equipment

|                   |            |                       |            |
|-------------------|------------|-----------------------|------------|
| For manufacturing | 6~18 years | For non-manufacturing | 5~11 years |
|-------------------|------------|-----------------------|------------|

(4) Other equipment

|                  |            |        |            |
|------------------|------------|--------|------------|
| Office equipment | 3~21 years | Others | 7~25 years |
|------------------|------------|--------|------------|

5. Since part of the Company's machinery could not be utilized to its full capacity, the expected future cash flows from the manufacturing machinery are reduced, which led to its recoverable amount smaller than its book value. After careful assessment by the Company, as of December 31, 2021 and 2020, the Company recorded \$2,175 thousand of accumulated impairment loss on property, plant and equipment for both of the years.

6. No property, plant and equipment held by the Company were pledged to others.

#### 6.11 Leases

##### 1. Right-of-use assets

| Item                            | December 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|-------------------|
| Buildings                       | \$ 75, 711        | \$ 66, 780        |
| Machinery equipment             | 34, 717           | 34, 734           |
| Total cost                      | 110, 428          | 101, 514          |
| Less : Accumulated depreciation | ( 36, 383)        | ( 23, 552)        |
| Less : Accumulated impairment   | -                 | -                 |
| Net amount                      | \$ 74, 045        | \$ 77, 962        |

| Item                      | Buildings        | Machinery equipment | Transportation equipment | Total             |
|---------------------------|------------------|---------------------|--------------------------|-------------------|
| Cost :                    |                  |                     |                          |                   |
| 2021.01.01 balance        | \$ 66,780        | \$ 34,734           | \$ -                     | \$ 101,514        |
| Addition/Remeasurement    | 8,931            | ( 17)               | -                        | 8,914             |
| Disposal/Write-offs       | -                | -                   | -                        | -                 |
| December 31, 2021 balance | <u>\$ 75,711</u> | <u>\$ 34,717</u>    | <u>\$ -</u>              | <u>\$ 110,428</u> |

Accumulated depreciation and impairment :

|                           |                  |                  |             |                  |
|---------------------------|------------------|------------------|-------------|------------------|
| 2021.01.01 balance        | \$ 9,689         | \$ 13,863        | \$ -        | \$ 23,552        |
| Depreciation expense      | 5,878            | 6,953            | -           | 12,831           |
| Disposal/Write-offs       | -                | -                | -           | -                |
| December 31, 2021 balance | <u>\$ 15,567</u> | <u>\$ 20,816</u> | <u>\$ -</u> | <u>\$ 36,383</u> |

| Item                   | Buildings        | Machinery equipment | Transportation equipment | Total             |
|------------------------|------------------|---------------------|--------------------------|-------------------|
| Cost :                 |                  |                     |                          |                   |
| 2020.1.1 balance       | \$ 66,780        | \$ 34,646           | \$ 8,453                 | \$ 109,879        |
| Addition/Remeasurement | -                | 88                  | ( 613)                   | ( 525)            |
| Disposal/Write-offs    | -                | -                   | ( 7,840)                 | ( 7,840)          |
| 2020.12.31 balance     | <u>\$ 66,780</u> | <u>\$ 34,734</u>    | <u>\$ -</u>              | <u>\$ 101,514</u> |

Accumulated depreciation and impairment :

|                      |                 |                  |             |                  |
|----------------------|-----------------|------------------|-------------|------------------|
| 2020.1.1 balance     | \$ 4,498        | \$ 6,913         | \$ 1,691    | \$ 13,102        |
| Depreciation expense | 5,191           | 6,950            | 382         | 12,523           |
| Disposal/Write-offs  | -               | -                | ( 2,073)    | ( 2,073)         |
| 2020.12.31 balance   | <u>\$ 9,689</u> | <u>\$ 13,863</u> | <u>\$ -</u> | <u>\$ 23,552</u> |

2. Lease liabilities

| Item                | December 31, 2021 |                  | December 31, 2020 |                  |
|---------------------|-------------------|------------------|-------------------|------------------|
|                     | Current           | Noncurrent       | Current           | Noncurrent       |
| Buildings           | \$ 5,365          | \$ 55,901        | \$ 4,895          | \$ 52,965        |
| Machinery equipment | 7,610             | 7,084            | 7,551             | 14,114           |
| Total               | <u>\$ 12,975</u>  | <u>\$ 62,985</u> | <u>\$ 12,446</u>  | <u>\$ 67,079</u> |

| Item                      | Buildings        | Machinery equipment | Transportation equipment | Total            |
|---------------------------|------------------|---------------------|--------------------------|------------------|
| Lease liabilities :       |                  |                     |                          |                  |
| 2021.01.01 balance        | \$ 57,860        | \$ 21,665           | \$ -                     | \$ 79,525        |
| Addition/Remeasurement    | 8,931            | ( 17)               | -                        | 8,914            |
| Disposal/Write-offs       | -                | -                   | -                        | -                |
| Lease principal repayment | ( 5,525)         | ( 6,954)            | -                        | ( 12,479)        |
| December 31, 2021 balance | <u>\$ 61,266</u> | <u>\$ 14,694</u>    | <u>\$ -</u>              | <u>\$ 75,960</u> |

| Item                      | Buildings        | Machinery equipment | Transportation equipment | Total            |
|---------------------------|------------------|---------------------|--------------------------|------------------|
| Lease liabilities :       |                  |                     |                          |                  |
| 2020.1.1 balance          | \$ 62,693        | \$ 28,488           | \$ 6,936                 | \$ 98,117        |
| Addition/Remeasurement    | -                | 88                  | ( 613)                   | ( 525)           |
| Disposal/Write-offs       | -                | -                   | ( 5,806)                 | ( 5,806)         |
| Lease principal repayment | ( 4,833)         | ( 6,911)            | ( 517)                   | ( 12,261)        |
| 2020.12.31 balance        | <u>\$ 57,860</u> | <u>\$ 21,665</u>    | <u>\$ -</u>              | <u>\$ 79,525</u> |

(1) Lease periods and range of discount rates for lease liabilities are shown as below :

| Item                | Expected lease period (including renewal rights) | December 31, 2021 | December 31, 2020 |
|---------------------|--|-------------------|-------------------|
| Buildings           | 3~15 years                                       | 0.84%~1.42%       | 0.84%~1.42%       |
| Machinery equipment | 5 years  | 1.00%             | 1.00%             |

(2) Maturity analysis for the Company's lease liabilities :

| Item                              | December 31, 2021 | December 31, 2020 |
|-----------------------------------|-------------------|-------------------|
| Within 1 year                     | \$ 13,941         | \$ 13,425         |
| Over 1 year but within 5 years    | 29,221            | 34,027            |
| Over 5 years but within 10 years  | 27,626            | 23,839            |
| Over 10 years but within 15 years | 11,050            | 14,304            |
| Over 15 years but within 20 years | -                 | -                 |
| Over 20 years                     | -                 | -                 |
| Undiscounted total lease payments | <u>\$ 81,838</u>  | <u>\$ 85,595</u>  |

### 3. Material leasing activities and terms

(1) The Company leases buildings, machinery equipment and transportation equipment, etc. Upon termination of the leases, the Company does not have favorable renewal rights toward the target leased assets. Part of the leases are attached with renewal rights upon maturities. Lease contracts are individually negotiated with different terms and conditions, and the lease payments for part of lease contracts may be adjusted according to Consumer Price Index. Except that

the leased targets shall not be used as collaterals for borrowings, without consent from the lessors, the Company shall not sublease or transfer all or part of the leased targets. No other restriction applies.

(2) Option to extend leases

Part of the lease targets in the Company's lease contract contain enforceable option for the Company to extend the leases. Such clauses are general practices of the lessors to enable the Company to have more flexibility in business operations and use the assets more efficiently. When the Company determines the lease periods, all facts and situations of economic incentives generated from exercising the right to extend the leases are considered. When events occurred which materially affect the assessment on the enforcement of extension option or non-exercising of the termination option, the lease periods would be re-estimated.

4. Sublease :

The Company subleases part of its rights to use its rented space via operating lease, and the rents were collected according to the to the contracts. Most of the lease agreements can be extended at the end of the lease periods according to market prices. During 2021 and 2020, the rental income from the subleases were both \$96 thousand.

5. Other relevant information on leases

In 2021 and 2020, based on the operating lease contracts, the Company recorded rental income of \$74,751 thousand and \$75,327 thousand, respectively, none of which was gain from variable lease payments.

Regarding the Company's agreements for leasing out investment properties under operating lease, please refer to Note 6.12-6.

(1) Income and loss items related to lease contracts :

| Item   | From January 1 to<br>December 31, 2021 | From January 1 to<br>December 31, 2020 |
|--|--|--|
| Short-term lease expense                                   | \$ -                                   | \$ -                                   |
| Low-value-assets lease expense                             | -                                      | -                                      |
| Expense on variable lease payments                         | -                                      | -                                      |
| Total  | \$ -                                   | \$ -                                   |
| Interest expense on lease liabilities                      | \$ 1,105                               | \$ 1,122                               |
| Gain (loss) generated from sale and leaseback transactions | \$ -                                   | \$ -                                   |
| Gain (loss) generated from amendment of lease transactions | \$ -                                   | \$ 39                                  |

The Company chooses to adopt exemption treatment for recording short-term leases and low-value-assets liabilities that meet the criteria and does not record right-of-use assets and lease liabilities for these leases.

(2) In 2021 and 2020, the total cash out flows were \$13,584 thousand and \$13,383 thousand, respectively.

(3) After careful assessment on the right-of-use assets, none of right-of-use assets were impaired.

#### 6.12 Investment properties

| Item                                     | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Land                                     | \$ 583,429        | \$ 583,429        |
| Land improvements                        | 418,746           | 418,746           |
| Investment properties under construction | 3,631             | -                 |
| Subtotal                                 | 1,005,806         | 1,002,175         |
| Less : Accumulated depreciation          | ( 362,136)        | ( 356,990)        |
| Less : Accumulated impairment            | -                 | -                 |
| Net amount                               | \$ 643,670        | \$ 645,185        |

| Item                          | Land       | Land improvements | Investment properties under construction | Total        |
|-------------------------------|------------|-------------------|--|--------------|
| Cost :                        |            |                   |  |              |
| Balance, January 1, 2021      | \$ 583,429 | \$ 418,746        | \$ -                                     | \$ 1,002,175 |
| Additions                     | -          | -                 | 3,631                                    | 3,631        |
| Disposals                     | -          | -                 | -  | -            |
| Reclassification              | -          | -                 | -  | -            |
| Balance, December 31, 2021    | \$ 583,429 | \$ 418,746        | \$ 3,631                                 | \$ 1,005,806 |
| Depreciation and impairment : |            |                   |  |              |
| Balance, January 1, 2021      | \$ -       | \$ 356,990        | \$ -                                     | \$ 356,990   |
| Depreciation expense          | -          | 5,146             | -  | 5,146        |
| Disposals                     | -          | -                 | -  | -            |
| Reclassification              | -          | -                 | -  | -            |
| Balance, December 31, 2021    | \$ -       | \$ 362,136        | \$ -                                     | \$ 362,136   |

| Item                          | Land              | Land improvements | Investment properties under construction | Total               |
|-------------------------------|-------------------|-------------------|--|---------------------|
| Cost :                        |                   |                   |  |                     |
| Balance, January 1, 2020      | \$ 583,429        | \$ 418,746        | \$ –                                     | \$ 1,002,175        |
| Additions                     | –                 | –                 | –  | –                   |
| Disposals                     | –                 | –                 | –  | –                   |
| Reclassification              | –                 | –                 | –  | –                   |
| Balance, December 31, 2020    | <u>\$ 583,429</u> | <u>\$ 418,746</u> | <u>\$ –</u>                              | <u>\$ 1,002,175</u> |
| Depreciation and impairment : |                   |                   |  |                     |
| Balance, January 1, 2020      | \$ –              | \$ 345,438        | \$ –                                     | \$ 345,438          |
| Depreciation expense          | –                 | 11,552            | –  | 11,552              |
| Disposals                     | –                 | –                 | –  | –                   |
| Reclassification              | –                 | –                 | –  | –                   |
| Balance, December 31, 2020    | <u>\$ –</u>       | <u>\$ 356,990</u> | <u>\$ –</u>                              | <u>\$ 356,990</u>   |

1. Amount and range of interest rates of capitalized borrowing cost of investment properties : None
2. Rental income from investment properties and direct operating expenses arising from investment property are shown below :

| Item   | 2021      | 2020      |
|--|-----------|-----------|
| Rental income from investment properties   | \$ 74,568 | \$ 75,110 |
| Direct operating expenses arising from the investment properties that generated rental income during the period        | \$ 12,503 | \$ 18,745 |
| Direct operating expenses arising from the investment properties that did not generate rental income during the period | \$ –      | \$ –      |

3. The Company's investment properties are located at Meishi Section of Yangmei District in Taoyuan City, Chungxing Section of Pingzhen District in Taoyuan City and Beigang Section of Dayuan District in Taoyuan City. Since those sections are located in industrial area, the transactions in the comparable market are infrequent, and reliable estimates of fair value are not available, the fair value could not be reliably determined.
4. After careful assessment by the Company, the investment properties are not impaired.
5. All investment properties held by the Company were self-owned and not pledged to others.

## 6. Lease agreements – the Company as lessor

The lease contract periods of the Company' leased out investment property (including land, the attached improvements, etc.) range from 3~18 years, upon termination of the leases, the lessors do not have favorable lease rights toward the leased assets. Rents are collected according to the contracts, most of the lease contracts can be renewed according to market prices upon termination of the leases and include clauses which adjust rents according to market environment each year. The minimum collectable amount of total lease payments in the future are as following :

| Item         | December 31, 2021 | December 31, 2020 |
|--------------|-------------------|-------------------|
| 1st year     | \$ 76, 416        | \$ 76, 416        |
| 2nd year     | 28, 076           | 76, 416           |
| 3rd year     | 18, 858           | 28, 076           |
| 4th year     | 18, 948           | 18, 858           |
| 5th year     | 18, 948           | 18, 948           |
| Over 5 years | 224, 484          | 243, 432          |
| Total        | \$ 385, 730       | \$ 462, 146       |

### 6.13 Intangible assets

| Item                            | December 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|-------------------|
| Cost of computer software       | \$ 7, 022         | \$ 6, 284         |
| Less : Accumulated amortization | ( 4, 889)         | ( 5, 233)         |
| Less : Accumulated impairment   | -                 | -                 |
| Net amount                      | \$ 2, 133         | \$ 1, 051         |

| Item                                      | 2021      | 2020      |
|---|-----------|-----------|
| Cost of computer software :               |           |           |
| Beginning balance                         | \$ 6, 284 | \$ 7, 207 |
| Addition – from individual                | 907       | 76        |
| Disposal / Write-off                      | ( 1, 522) | ( 999)    |
| Reclassification (Note)                   | 1, 353    | -         |
| Ending balance                            | \$ 7, 022 | \$ 6, 284 |
| Accumulated amortization and impairment : |           |           |
| Beginning balance                         | \$ 5, 233 | \$ 4, 343 |
| Amortization expense                      | 1, 178    | 1, 889    |
| Disposal / Write-off                      | ( 1, 522) | ( 999)    |
| Reclassification                          | -         | -         |
| Ending balance                            | \$ 4, 889 | \$ 5, 233 |

Note : Net increased amount in reclassification was transferred from property, plant and equipment.

1. The amount of capitalized borrowing cost and interest interval of intangible assets :  
None
2. The Company's intangible assets are amortized at straight-line method based on the following useful life :  
Computer software                      3 years
3. After careful assessment by the Company, the Company's intangible assets are not impaired.
4. No intangible assets held by the Company were pledged to others.
5. Amortization of intangible assets by function :

| Item                   | 2021     | 2020     |
|------------------------|----------|----------|
| Operating cost         | \$ 335   | \$ 374   |
| Operating expense      |          |          |
| Sales expense          | -        | -        |
| Administration expense | 779      | 1,515    |
| R&D expense            | 64       | -        |
| Subtotal               | 843      | 1,515    |
| Total                  | \$ 1,178 | \$ 1,889 |

#### 6.14 Guarantee deposits paid

| Item                     | December 31, 2021 | December 31, 2020 |
|--------------------------|-------------------|-------------------|
| Rental deposits - lessee | \$ 154            | \$ 154            |
| Deposits for natural gas | 22,572            | 24,021            |
| Membership deposits      | 500               | 500               |
| Others                   | 104               | 124               |
| Total                    | \$ 23,330         | \$ 24,799         |

#### 6.15 Other noncurrent assets – other

| Item                       | December 31, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Long-term prepaid expenses | \$ 449            | \$ 1,094          |
| Pallets                    | 46,753            | 31,314            |
| Total                      | \$ 47,202         | \$ 32,408         |

| Item                      | 2021      | 2020      |
|---------------------------|-----------|-----------|
| Other noncurrent assets   |           |           |
| Beginning balance         | \$ 32,408 | \$ 37,693 |
| Addition– from individual | 40,753    | 20,845    |
| Amortization expense      | ( 25,959) | ( 26,130) |
| Ending balance            | \$ 47,202 | \$ 32,408 |

#### 6.16 Short-term borrowings

| Item           | December 31, 2021 | December 31, 2020 |
|----------------|-------------------|-------------------|
| Credit loans   | \$ 1,260,000      | \$ 710,000        |
| Interest rates | 0.52%~0.91%       | 0.52%~0.89%       |

The Company issued promising notes by the amounts equal to the above loans to the banks as collaterals for the short-term borrowing contracts.

#### 6.17 Short-term notes and bills payable

| Item                        | December 31, 2021 | December 31, 2020 |
|-----------------------------|-------------------|-------------------|
| Commercial paper            | \$ 500,000        | \$ 450,000        |
| Less : Unamortized discount | ( 155)            | ( 66)             |
| Net amount                  | \$ 499,845        | \$ 449,934        |
| Interest rates              | 0.58%~0.69%       | 0.39%~0.60%       |

The commercial papers of the Company were issued with guarantees by the security firms or banks, and promising notes by the amounts equal to the loans were issued as collaterals for repayment of the loans.

#### 6.18 Financial liabilities measured at fair value through profit or loss – current

| Item  | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Mandatorily measured at FVTPL               |                   |                   |
| Derivative - foreign exchange swap contract | \$ 1,526          | \$ -              |

Please refer to Note 6.2-3 for details.

#### 6.19 Notes and accounts payable

The recorded notes and accounts payable are mainly from business operations. The Company has an established financial risk management policy for ensuring all payables are repaid within the credit deadlines agreed previously.

## 6.20 Other payables

| Item   | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Payroll and bonus payable                        | \$ 185,402        | \$ 132,844        |
| Employees compensation payable                   | 21,149            | –                 |
| Directors' and supervisor's remuneration payable | 31,723            | –                 |
| Interest payable                                 | 317               | 188               |
| Insurance payable                                | 15,003            | 13,752            |
| Transportation fees payable                      | 8,821             | 7,167             |
| Utilities payable                                | 45,590            | 44,395            |
| Export fees payable                              | 22,711            | 22,340            |
| Processing outsourcing fees payable              | 502               | 193               |
| Professional service fees payable                | 1,260             | 1,160             |
| Taxes payable                                    | 7,079             | 7,178             |
| Sales tax payable                                | 4,063             | 6,424             |
| Payables for equipment                           | 34,161            | 37,250            |
| Investment proceeds payable                      | 10,289            | 12,485            |
| Others payable                                   | 20,649            | 18,275            |
| Total  | \$ 408,719        | \$ 303,651        |

## 6.21 Provisions – current

| Item                            | December 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|-------------------|
| Employee benefits – paid leaves | \$ 25,572         | \$ 24,573         |

1. Provisions for employee benefits – current are estimation of employees' vested rights for paid leaves. In most cases, sick leaves, maternity leaves or paternity leaves are contingent in nature, which are determined by future events and not from accruals. Therefore, such costs are recognized at the time when occurred.

2. Movement in provisions for employee benefits – current :

| Item              | 2021       | 2020       |
|-------------------|------------|------------|
| Beginning balance | \$ 24,573  | \$ 25,163  |
| Addition          | 25,720     | 24,584     |
| Used amount       | ( 24,721 ) | ( 25,174 ) |
| Reversal amount   | –          | –          |
| Ending balance    | \$ 25,572  | \$ 24,573  |

## 6.22 Other current liabilities – other

| Item                   | December 31, 2021 | December 31, 2020 |
|------------------------|-------------------|-------------------|
| Receipts under custody | \$ 1,604          | \$ 933            |

## 6.23 Pension benefit plans

| Item                      | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|
| Defined benefit plan      | \$ 98,383         | \$ 106,415        |
| Defined contribution plan | 5,395             | 5,134             |
| Total                     | \$ 103,778        | \$ 111,549        |

### 1. Defined benefit plan

(1) The Company have a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued (within 15 service years, 2 units are given for each year; 1 unit is given for each year over 15 service years, and the overall accrued units is limited to 45) and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2.5% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March.

(2) Amounts recognized in the balance sheet are as follows :

| Item   | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Present value of defined benefit obligations | \$ 108,139        | \$ 119,362        |
| Fair value of plan assets                    | ( 9,756)          | ( 12,947)         |
| Net defined benefit liability                | \$ 98,383         | \$ 106,415        |

(3) Movements in net defined benefit liabilities are as follows :

| Item  | 2021       | 2020       |
|---|------------|------------|
| Balance at January 1                        | \$ 119,362 | \$ 127,809 |
| Current service cost                        | -          | -          |
| Interest expense                            | 475        | 956        |
| Actuarial (gains)                           | ( 2,406)   | ( 2,383)   |
| Remeasurements – actuarial loss (gain) :    |            |            |
| Effect of change in demographic assumptions | 423        | 1          |
| Effect of change in financial assumptions   | ( 4,414)   | 5,548      |
| Experience adjustments                      | 4,605      | ( 4,422)   |
| Paid benefits                               | -          | ( 591)     |
| Repayments (Note)                           | ( 9,906)   | ( 7,556)   |
| Balance at December 31                      | \$ 108,139 | \$ 119,362 |

(4) Movements in fair value of plan assets are as follows :

| Item  | 2021      | 2020      |
|---|-----------|-----------|
| Balance at January 1                              | \$ 12,947 | \$ 13,826 |
| Interest income                                   | 55        | 112       |
| Remeasurements :                                  |           |           |
| Return on plan assets in addition to net interest | 176       | 538       |
| Contribution by employer                          | 6,484     | 6,618     |
| Benefits paid from plan assets                    | -         | ( 591)    |
| Repayments from plan assets                       | ( 9,906)  | ( 7,556)  |
| Balance at December 31                            | \$ 9,756  | \$ 12,947 |

(5) The amounts of defined benefit costs related to defined benefit plan recognized in the statements of comprehensive are listed as follows :

| Item  | 2021       | 2020       |
|---|------------|------------|
| Current service cost                              | \$ -       | \$ -       |
| Interest expense of define benefit obligations    | 475        | 956        |
| Loss (gain) on repayments                         | ( 2,406)   | ( 2,383)   |
| Interest income from plan                         | ( 55)      | ( 112)     |
| Recorded in loss (gain)                           | (\$ 1,986) | (\$ 1,539) |
| Item  | 2021       | 2020       |
| Remeasurements :                                  |            |            |
| Effect of change in demographic assumptions       | \$ 423     | \$ 1       |
| Effect of change in financial assumptions         | ( 4,414)   | 5,548      |
| Experience adjustments                            | 4,605      | ( 4,422)   |
| Return on plan assets in addition to net interest | ( 176)     | ( 538)     |
| Recognized in other comprehensive loss (income)   | \$ 438     | \$ 589     |

- (6) The above net amounts of pension costs under defined benefit plan recognized in profit or loss are shown by function as below :

| Item                   | 2021       | 2020       |
|------------------------|------------|------------|
| Operating cost         | (\$ 1,733) | (\$ 1,301) |
| Operating expense      |            |            |
| Sales expense          | ( 66)      | ( 72)      |
| Administration expense | ( 150)     | ( 141)     |
| R&D expense            | ( 37)      | ( 25)      |
| Subtotal               | ( 253)     | ( 238)     |
| Total                  | (\$ 1,986) | (\$ 1,539) |

- (7) The Company's defined pension plan fund is managed by Bank of Taiwan within the ratio and amount limits of management items regulated according to the fund's annual investment plan and in accordance with the items listed in Article 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (that is, "Deposit in domestic or foreign financial institutions", "Investment in domestic or foreign listed, over-the-counter, or private placement equity securities", "Investment in domestic or foreign real estate and its securitization products", etc.). The management of the fund is subjected to supervision by the Labor Pension Fund Supervisory Committee. The annual return distribution of the fund cannot be lower than the return from a 2-year time deposit in the local bank. If there is deficiency, the difference should be made up by the government. Since the Company does not have the right to participate in the management of the fund, the Company is unable to disclose the fair-value classification of the plan assets according to Paragraph 142 of IAS 19. For fair value of the constituents of the total plan assets as of December 31, 2021 and 2020, please refer to the labor pension fund management reports published by the government for the respective years.

- (8) The present value of the Company's defined benefit obligation was computed by qualified actuary. The main actuarial assumptions used were as follows :

| Item  | 2021     | 2020     |
|---|----------|----------|
| Discount rate   | 0.70%    | 0.40%    |
| Future salary increase rate                                     | 2.00%    | 2.00%    |
| The weighted average duration of the defined benefit obligation | 12 years | 12 years |

Assumptions on future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table (TSO).

- (9) Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks :

A. Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

B. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

- (10) Reasonably possible changes at December 31, 2021 and 2020 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below :

| Item   | Discount rate     |                   | Future salary increase rate |                   |
|--|-------------------|-------------------|-----------------------------|-------------------|
|  | 0.25%<br>increase | 0.25%<br>decrease | 0.25%<br>increase           | 0.25%<br>decrease |
| December 31, 2021                                      |                   |                   |                             |                   |
| Effects to present value of defined benefit obligation | (\$ 3, 207)       | \$ 3, 345         | \$ 3, 293                   | (\$ 3, 175)       |
| December 31, 2020                                      |                   |                   |                             |                   |
| Effects to present value of defined benefit obligation | (\$ 3, 729)       | \$ 3, 895         | \$ 3, 823                   | (\$ 3, 681)       |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In addition, in the aforementioned sensitivity analysis, the present value of the defined benefit obligation by the end of reporting period was computed using the Projected Unit Credit Method, which uses the same measurement basis adopted the defined benefit liability listed in the balance sheet. The methods and assumptions used for preparing the sensitivity analysis in this period are the same as those of prior period.

- (11) The contribution that the Company expects to make to its defined benefit pension plans and payment in next year 2022 are \$2,565 thousand and \$1,237 thousand, respectively.

2. Defined contribution plans

- (1) The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan applicable to employees holding R.O.C. citizenship. Pursuant to the plan, the Company makes monthly contributions of 6% of each individual employee's salary or wage to employees' pension accounts. The

employees' pensions, according to their respective pension accounts and accumulated profit amount, will be paid in a lump sum amount or paid monthly. That is, no addition statutory or presumed obligation to make additional payment.

- (2) According to the above defined contribution plan, the Company had recorded \$31,256 thousand and \$31,880 thousand of pension expense in 2021 and 2020, respectively ; As of December 31, 2021 and 2020, according to the above defined contribution plan, the Company had recognized \$5,395 thousand and \$5,134 thousand of net defined benefit liability, respectively.
- (3) The above amounts of pension costs under defined contribution plan recognized in profit or loss are shown by function as below :

| Item                   | 2021      | 2020      |
|------------------------|-----------|-----------|
| Operating cost         | \$ 26,275 | \$ 26,862 |
| Operating expense      |           |           |
| Sales expense          | 1,649     | 1,611     |
| Administration expense | 2,088     | 2,051     |
| R&D expense            | 1,244     | 1,356     |
| Subtotal               | 4,981     | 5,018     |
| Total                  | \$ 31,256 | \$ 31,880 |

- (4) In 2021 and 2020, According to the defined contribution plan, the Company recognized \$103 thousand and \$98 thousand, respectively, of pension cost for expatriate employees, which was booked as other gains and losses.

#### 6.24 Guarantee deposits received

| Item                       | December 31, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Rental deposits – rent out | \$ 22,614         | \$ 22,614         |
| Others                     | 550               | 550               |
| Total                      | \$ 23,164         | \$ 23,164         |

#### 6.25 Share capital

| Item   | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Authorized number of shares (thousands of shares)                | 800,000           | 800,000           |
| Authorized capital   | \$ 8,000,000      | \$ 8,000,000      |
| Issued shares with proceeds fully received (thousands of shares) | 531,688           | 550,001           |
| Raised capital   | \$ 5,316,884      | \$ 5,500,014      |

- The par value of each issued common stock is NT\$10, each share has 1 voting right and right of receiving dividend.
- The main reason for the change in the Company's capital in this period was due to cancellation of treasury shares, please refer to Note 6.29-2 ~ 4 for details.

## 6.26 Capital surplus

| Item  | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Additional paid-in capital                    | \$ 210, 318       | \$ 316, 656       |
| Surplus from treasury stock transactions      | 188, 021          | 175, 460          |
| Uncollected overdue dividends by shareholders | 496               | 41                |
| Total   | \$ 398, 835       | \$ 492, 157       |

According to the Company Act, in addition to offsetting against accumulated loss, when a company does not have accumulated loss, the capital surplus from additional paid-in capital in excess of par during stock issuance and from gifts received may be distributed to shareholders in form of new shares or cash according to their respective shareholding ratios. And according to the Securities and Exchange Act, when reinvest the above capital surplus as additional capital, the total amount is limited to 10% of the received capital. Unless when profit surplus is insufficient to offset loss, a company shall not replenish with capital surplus. In addition, regarding uncollected overdue dividends, since such capital surplus are different from the capital surplus as defined in Article 239 of Company Act in nature, they shall not be used for any purpose.

## 6.27 Retained earnings

1. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

2. The Company's dividend policy is as following :

The Company shall consider changes in business environment, considers future operating funds required from life cycles of various products and services and the effects of tax rules, in the goal of sustaining stable dividend distributions, dividends are distributed according to the set ratios under the corporate charter. After measuring the required funds in future years, profitability, financial structure, and dilution effects on shares, and other factors, the Board of Directors develops an appropriate ratio of dividends in cash and in stocks and submits for approval at the shareholders' meeting. The Company would distribute cash dividends as priority. If there are major investment plans or needs for improving financial structure, part of dividends would be distributed in stocks. In order to avoid over-inflation of share capital and affect the level of dividend distribution in future years, 0%~60% of the Company's distributable current-year earnings are appropriated as dividends.

3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is limited to the portion in excess of 25% of the Company's paid-in capital.
4. Upon earnings distribution, in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1090150022, dated March 31, 2021 and regulations under "Q&A on Recording Special Reserve After Adopting IFRSs", the Company shall set aside or reverse special reserve. When the net deduction item on other equity later is reversed, the reversed amount could be included in the distributable earnings.
5. The appropriations of 2020 and 2019 earnings have been approved by the shareholders in its meetings on July 23, 2021 and June 22, 2020, respectively. The appropriations and dividends per share were as follows :

| Distribution item                | Appropriation of Earnings |                         | Dividends Per Share<br>(NT\$) |                         |
|----------------------------------|---------------------------|-------------------------|-------------------------------|-------------------------|
|                                  | For Fiscal<br>Year 2020   | For Fiscal<br>Year 2019 | For Fiscal<br>Year 2020       | For Fiscal<br>Year 2019 |
| Record legal reserve             | \$ -                      | \$ -                    | -                             | -                       |
| Record (reverse) special reserve | -                         | -                       | -                             | -                       |
| Cash dividends                   | 53,169                    | -                       | \$ 0.10                       | \$ -                    |
| Stock dividends                  | -                         | -                       | -                             | -                       |

In addition, on July 23, 2021, the shareholders' annual meeting passed a resolution to distribute cash from additional paid-in capital – common share premium (NT\$0.2 per common share), totaled NT\$106,338 thousand.

Information on the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

6. The appropriation of earnings for 2021 had been proposed by the Board of Directors on March 11, 2022 (not yet been approved by the shareholders' meeting), which planned distribute cash dividend of NT\$0.8 per share, totaled \$425,351 thousand of cash dividend.

#### 6.28 Other equity item

| Item  | Exchange<br>differences from<br>translation of foreign<br>operations | Unrealized gains or<br>losses for financial<br>assets measured at<br>FVTOCI | Total     |
|---|--|---|-----------|
| Balance, January 1, 2021                                | (\$ 219)   | \$ 26,357   | \$ 26,138 |
| Directly Recognized as other equity<br>adjustment items | -  | 33,810  | 33,810    |

|  |                 |                  |                  |
|--|-----------------|------------------|------------------|
| Transferred to profit or loss item       | -               | -                | -                |
| Transferred to retained earnings         | -               | -                | -                |
| Shares Recognized under equity method    | ( 51)           | -                | ( 51)            |
| Income tax related to other equity items | -               | -                | -                |
| Balance, December 31, 2021               | <u>(\$ 270)</u> | <u>\$ 60,167</u> | <u>\$ 59,897</u> |

| Item   | Exchange differences from translation of foreign operations | Unrealized gains or losses for financial assets measured at FVTOCI | Total            |
|--|---|--|------------------|
| Balance, January 1, 2020                             | (\$ 654)  | \$ 14,109  | \$ 13,455        |
| Directly Recognized as other equity adjustment items | -   | 12,248   | 12,248           |
| Transferred to profit or loss item                   | -   | -  | -                |
| Transferred to retained earnings                     | -   | -  | -                |
| Shares Recognized under equity method                | 435   | -  | 435              |
| Income tax related to other equity items             | -   | -  | -                |
| Balance, December 31, 2020                           | <u>(\$ 219)</u>   | <u>\$ 26,357</u>   | <u>\$ 26,138</u> |

## 6.29 Treasury shares

### 1. Reason for redemption of shares and the changes are summarized as following :

| Reason for redemption                            | January 1 to December 31, 2021 |            |                         |          |                         |            |                  |        |
|--|--------------------------------|------------|-------------------------|----------|-------------------------|------------|------------------|--------|
|  | Beginning balance              |            | Increase in this period |          | Decrease in this period |            | Ending balance   |        |
|  | Number of shares               | Amount     | Number of shares        | Amount   | Number of shares        | Amount     | Number of shares | Amount |
| Maintain company credit and shareholders' rights | 17,305                         | \$ 160,576 | 1,008                   | \$ 9,993 | 18,313                  | \$ 170,569 | -                | \$ -   |

  

| Reason for redemption                            | January 1 to December 31, 2020 |        |                         |            |                         |            |                  |            |
|--|--------------------------------|--------|-------------------------|------------|-------------------------|------------|------------------|------------|
|  | Beginning balance              |        | Increase in this period |            | Decrease in this period |            | Ending balance   |            |
|  | Number of shares               | Amount | Number of shares        | Amount     | Number of shares        | Amount     | Number of shares | Amount     |
| Maintain company credit and shareholders' rights | -                              | \$ -   | 79,067                  | \$ 646,436 | 61,762                  | \$ 485,860 | 17,305           | \$ 160,576 |

2. On March 20, 2020, the Board of Directors passed a resolution that, in order to maintain company credit and the shareholders' rights, from March 23, 2020 to May 22, 2020, the Company would buy back 60,000 thousand shares of the Company at NT\$3.41~NT\$10.05 from the stock exchange market. In order to balance the market trading mechanism and secure the overall shareholders' rights, the treasury shares were bought back in separate batches depending on changes in prices trading volume of the shares. Considering that, during the buy-back period, the stock prices had been stabilized, and the daily trading volume is not high, the buy-back plan was not fully carried out, only 33,763 thousand shares were bought back from the stock exchange

market, with buy-back cost totaled \$239,692 thousand. The Company set June 24, 2020 as the base date for capital reduction, cancelled the purchased treasury shares (totaled 33,763 thousand of common shares, with par value of NT\$10 per share and \$337,630 thousand in total), with the related business registrations completed. Upon cancellation of the treasury shares, the difference of carrying value of the treasury shares over the par value of the cancelled shares, which totaled \$97,938 thousand, was recorded as Capital surplus – premium on treasury-share transactions.

3. On August 18, 2020, the Board of Directors passed a resolution that, in order to maintain company credit and the shareholders' rights, from August 19, 2020 to October 18, 2020, the Company would buy back 40,000 thousand shares of the Company at NT\$5.24~NT\$10.72 from the stock exchange market. In order to balance the market trading mechanism and secure the overall shareholders' rights, the treasury shares were bought back in separate batches depending on changes in prices trading volume of the shares. Considering that, during the buy-back period, the stock prices had been stabilized, and the daily trading volume is not high, the buy-back plan was not fully carried out, only 27,999 thousand shares were bought back from the stock exchange market, with buy-back cost totaled \$246,168 thousand. The Company set October 29, 2020 as the base date for capital reduction, cancelled the purchased treasury shares (totaled 27,999 thousand of common shares, with par value of NT\$10 per share and \$279,990 thousand in total), with the related business registrations completed. Upon cancellation of the treasury shares, the difference of carrying value of the treasury shares over the par value of the cancelled shares, which totaled \$33,822 thousand, was recorded as Capital surplus – premium on treasury-share transactions.
4. On November 13, 2020, the Board of Directors passed a resolution that, in order to maintain company credit and the shareholders' rights, from November 16, 2020 to January 12, 2021, the Company would buy back 30,000 thousand shares of the Company at NT\$6.04~NT\$12.52 from the stock exchange market. As of December 31, 2021, 17,305 thousand treasury shares were bought back, with buy-back cost totaled \$160,576 thousand. In order to balance the market trading mechanism and secure the overall shareholders' rights, the treasury shares were bought back in separate batches depending on changes in prices trading volume of the shares. Considering that, during the buy-back period, the stock prices had been stabilized, and the daily trading volume is not high, the buy-back plan was not fully carried out, only 18,313 thousand shares were bought back from the stock exchange market, with buy-back cost totaled \$170,569 thousand. The Company set January 20, 2021 as the base date for capital reduction, cancelled the purchased treasury shares (totaled

18,313 thousand of common shares, with par value of NT\$10 per share and \$183,130 thousand in total), with the related business registrations completed. Upon cancellation of the treasury shares, the difference of carrying value of the treasury shares over the par value of the cancelled shares, which totaled \$12,561 thousand, was recorded as Capital surplus – premium on treasury-share transactions.

5. According to Securities and Exchange Act, the Company shall not buy back more than 10% of its total outstanding shares ; The total dollar amount of buy-back shares shall not exceed the summary of retained earnings, additional paid-in capital in excess of par and realized capital surplus. The Company used the Board of Director resolution date and met the regulations under Securities and Exchange Act.
6. According to Securities and Exchange Act, the purchased shares due to maintaining the Company’s credit and the shareholders’ rights shall be cancelled and registration filed within 6 months.
7. According to Securities and Exchange Act, the Company’s held treasury shares shall not be pledged or entitled to receive dividends or voting rights, etc.

### 6.30 Operating revenue

| Item                                  | 2021                   | 2020                  |
|---------------------------------------|------------------------|-----------------------|
| Revenue from contracts with customers |                        |                       |
| Sales revenue                         | \$ 11, 168, 303        | \$ 7, 623, 117        |
| Service revenue                       | 34, 669                | 25, 970               |
| Net amount                            | <u>\$ 11, 202, 972</u> | <u>\$ 7, 649, 087</u> |

#### 1. Breakdown of revenue from contracts with customers

The Company’s revenue comes from transfer of goods or services at certain points of time. The revenue can be broken down into the following major types of goods and services :

| Major types of goods and services     | 2021            | 2020           |
|---------------------------------------|-----------------|----------------|
| Sales revenue                         |                 |                |
| Textured Yarn                         | \$ 3, 576, 646  | \$ 2, 590, 979 |
| Polyester Yarn                        | 11, 644         | 27, 065        |
| Nylon fiber                           | 1, 690, 481     | 1, 284, 970    |
| Nylon grains                          | 5, 129, 339     | 3, 122, 199    |
| Composite materials                   | 758, 163        | 597, 418       |
| Trading of raw materials              | 2, 030          | 486            |
| Subtotal                              | 11, 168, 303    | 7, 623, 117    |
| Service revenue                       |                 |                |
| Revenue from outsourced manufacturing | 34, 669         | 25, 970        |
| Subtotal                              | 34, 669         | 25, 970        |
| Total                                 | \$ 11, 202, 972 | \$ 7, 649, 087 |

## 2. Contract balance

The contractual assets and liabilities for the recorded revenue from contracts with customers are as following :

| Item                              | 2021       | 2020       |
|-----------------------------------|------------|------------|
| Contractual assets : None         |            |            |
| Contractual liabilities - current |            |            |
| Sale of goods                     | \$ 54, 356 | \$ 79, 767 |

### (1) Material changes in contractual assets and liabilities

Changes in contract liabilities mainly come from timing difference when the contractual obligations are fulfilled and when the customers make the payment. As of December 31, 2021, the balance of contract liabilities decreased compared to last year mainly because the prices of raw materials and products were at low level, and the customers held purchases due to development of COVID-19 pandemic, which lead to decrease in the related contract liabilities from advance receipts from customers.

### (2) Beginning contractual liabilities that are recorded as revenue in this period :

| Item                             | 2021       | 2020       |
|----------------------------------|------------|------------|
| Beginning balance of contractual |            |            |
| Sale of goods                    | \$ 75, 291 | \$ 77, 375 |

### (3) Fulfilled contractual obligations in the previous period but with the related revenue recorded in this period

In 2021 and 2020, the Company did not have contractual obligations that were fulfilled (or partly fulfilled) in the previous period. Nor there was any adjustment made to the recorded current-period revenue due to changes in the transaction prices or restrictions in recording variable consideration.

(4) Unfulfilled contracts with customers

As of December 31, 2021 and 2020, the Company does not have any unfulfilled sales contracts with customers, the expected remaining periods for the existing contracts are within one year and are expected to be fulfilled and recognized as revenue within one year.

3. Assets related to contractual costs : None

6.31 Interest income

| Item                      | 2021  | 2020  |
|---------------------------|-------|-------|
| Interest on bank deposits | \$ 16 | \$ 38 |

6.32 Other income

| Item  | 2021       | 2020       |
|---|------------|------------|
| Dividends income                            | \$ 37,059  | \$ 22,806  |
| Rental income                               | 74,751     | 75,327     |
| Subsidy income                              | 98         | 150,018    |
| Income from scrap sales                     | 14,374     | 10,089     |
| Income from sample sales                    | 3,522      | 3,896      |
| Income from recovery of packaging materials | 2,604      | 2,859      |
| Income from sale of renewable energy        | 14,796     | 5,553      |
| Net income from water testing               | 5,799      | 5,398      |
| Others                                      | 2,083      | 3,340      |
| Total                                       | \$ 155,086 | \$ 279,286 |

### 6.33 Other gains and losses

| Item  | 2021       | 2020        |
|---|------------|-------------|
| Net gains (losses) on financial liabilities at FVTPL        | \$ 62,183  | \$ 70,570   |
| Gains (losses) on disposal of property, plant and equipment | ( 33)      | ( 1,145)    |
| Loss on disposal of investments                             | 190,076    | ( 55,646)   |
| Net non-financial foreign currency exchange gains (losses)  | ( 10,347)  | ( 13,201)   |
| Direct operating expenses of investment properties          | ( 12,503)  | ( 18,745)   |
| Expatriate employee benefits                                | ( 2,317)   | ( 2,067)    |
| Depreciation of renewable energy                            | ( 4,126)   | ( 1,695)    |
| Gains from lease amendment                                  | -          | 39          |
| Others  | ( 304)     | ( 695)      |
| Total   | \$ 222,629 | (\$ 22,585) |

### 6.34 Financial cost

| Item   | 2021      | 2020      |
|--|-----------|-----------|
| Interest expense                                       |           |           |
| Interest on borrowing from financial institutions      | \$ 12,194 | \$ 9,927  |
| Imputed interest on deposits                           | 92        | 126       |
| Interest on lease liabilities                          | 1,105     | 1,122     |
| Other  | 513       | 188       |
| Subtotal   | 13,904    | 11,363    |
| Fees related to issuing CP                             | 1,091     | 504       |
| Net financial foreign currency exchange (gains) losses | 4,149     | ( 275)    |
| Less : Capitalized amount                              | -         | -         |
| Total  | \$ 19,144 | \$ 11,592 |

### 6.35 Employee benefits, depreciation and amortization expense

| By nature                  | 2021                 |                    |                      | 2020                 |                    |                      |
|----------------------------|----------------------|--------------------|----------------------|----------------------|--------------------|----------------------|
|                            | Operating costs      | Operating expenses | Total                | Operating costs      | Operating expenses | Total                |
| Employee benefits          |                      |                    |                      |                      |                    |                      |
| Salary                     | \$ 714, 449          | \$ 153, 702        | \$ 868, 151          | \$ 650, 812          | \$ 108, 033        | \$ 758, 845          |
| Labor and health insurance | 64, 496              | 12, 458            | 76, 954              | 62, 867              | 10, 675            | 73, 542              |
| Pension expense            | 24, 542              | 4, 728             | 29, 270              | 25, 561              | 4, 780             | 30, 341              |
| Remuneration to directors  | –                    | 34, 273            | 34, 273              | –                    | 2, 600             | 2, 600               |
| Other benefits             | 23, 712              | 25, 333            | 49, 045              | 19, 090              | 3, 586             | 22, 676              |
| Depreciation (Note)        | 437, 358             | 15, 816            | 453, 174             | 556, 196             | 15, 971            | 572, 167             |
| Amortization               | 25, 417              | 1, 720             | 27, 137              | 25, 547              | 2, 472             | 28, 019              |
| <b>Total</b>               | <b>\$1, 289, 974</b> | <b>\$ 248, 030</b> | <b>\$1, 538, 004</b> | <b>\$1, 340, 073</b> | <b>\$ 148, 117</b> | <b>\$1, 488, 190</b> |

Note : The depreciation expenses for renewable energy equipment (recorded in property, plant and equipment) in 2021 and 2020 were \$4,126 thousand and \$1,695, respectively, and recorded as non-operating income and expenses – other ; The depreciation expenses of investment properties in 2021 and 2020 were \$5,146 thousand and \$11,552 thousand, respectively, and recorded as non-operating income and expenses – other (direct operating expenses for investment properties).

1. As of December 31, 2021 and 2020, the number of employees of the Company is 1,244 and 1,323, respectively, including average 6 directors who are not hired as employees for both years, with counting basis consistent with that of employee benefits.
2. In 2021 and 2020, the Company's average employee benefit expenses were \$827 thousand and \$672 thousand, respectively ; the average employee salary expenses were \$701 thousand and \$576 thousand, respectively, and the adjustment and changes on the average employee salary expenses were 21.70% and (0.69%), respectively.
3. The Company has established an Audit Committee according to the ROC Securities and Exchange Act, which is composed of all independent directors to replace supervisors. Therefore, there is no compensation to supervisors.
4. The Company's payroll compensation policies (including directors, managers and employees) :
  - (1) Relationships among the payment policy, standards and structure for directors' remuneration, business performance and future risks of the Company :
    - A. According to the Company's corporate charter : Remunerations to the chairman and directors are determined based on their degree of involvement in the

Company's business operations, duties assumed, while referencing to the peer standards in the industry and the Company's payroll evaluation regulations.

B. According to Article 26 of the Company's corporate charter: If the Company has profit in a year (that is, profit before deducting income tax, compensation to employees and directors' remuneration), the Company shall allocate not higher than 3% of annual profits as directors' and supervisors' remuneration. The remuneration plan is then proposed by the Remuneration Committee, passed by the Board of Directors, and proposed to the shareholders' meeting.

(2) Relationships among the payment policy, standards and structure for payments to the general manager and deputy general manager(s), business performance and future risks of the Company :

The compensation payable to the Company's general manager and deputy general manager(s) are determined according to their individual performances and the overall contribution to the Company's operations and by referencing to peer standards in the industry. In addition, the Company's future operating risks are considered and, based on the Company's payroll evaluation regulations, the remuneration plan is proposed by the Remuneration Committee and passed by the Board of Directors.

(3) Relationships among the payment policy, standards and structure for payments to employees, business performance and future risks of the Company :

A. According to the related payroll payment regulations, compensation to the Company's employees are determined based on the individual performances, contribution to the Company's overall operation goals and by referencing to peer standards in the industry. In addition, the Company's future operating risks, opportunities for various career developments are considered and via open and transparent promotion mechanism, higher posts or salary compensation are offered to bring the origination toward positive development and mutual growth.

B. According to Article 26 of the Company's corporate charter: If the Company has profit in a year (that is, profit before deducting income tax, compensation to employees and directors' remuneration), the Company shall first allocate 2% of annual profits as employees' compensation. The remuneration plan is then passed by the Board of Directors, and proposed to the shareholders' meeting.

5. In accordance to the Company's corporate charter, if the Company has profit in a year, it shall first appropriate 2% as employees' compensation and allocate not higher than 3% as directors' and supervisors' remuneration. But if the Company still has accumulated losses, the profit shall first used to offset losses.

6. Regarding estimation of the payable compensation to employees, directors and supervisors, based on profitability in the current year, along with considerations on the expected distribution amount, the upper and lower percentage limits under corporate charter and other factors, the Company's management estimates the compensation according to the current-period profit amount before deducting income tax, compensation to employees and directors' remuneration. For 2021, the Company estimates NT21,149 thousand of compensation to employees and NT\$31,723 thousand of directors' and supervisors' remuneration. For 2020, since the Company had net loss before tax, therefore, no compensation to employees or to directors' and supervisors' remuneration were estimated. However, before the issuance date of these financial statements and after resolution by the Board of Directors, if there is material change in the distribution amount, the change would be adjusted in the current-year expense ; If subsequently, the actual distribution amounts after the issuance date of these financial statements are different from the above amounts, the difference would be adjusted and treated as changes in accounting estimates in the next year.
7. On March 11, 2022 and March 26, 2021, the Company's Board of Directors had passed resolution to distribute NT\$21,149 thousand and 0 of compensation to employees for 2021 and 2020, respectively ; NT\$31,723 thousand and 0 of remuneration to directors and supervisors for 2021 and 2020, respectively. The aforementioned distribution amounts are not different from those estimated in 2021 and 2020 financial statements, and the compensation and remuneration will be distributed in cash.
8. Information on employees' compensation and remuneration for directors and supervisors of the Company as resolved by the meeting of Board of Directors is available from the Market Observation Post System at the website of the TWSE.

#### 6.36 Changes in liabilities from financing activities

| Item   | Short-term borrowings | Short-term notes payable | Lease liabilities | Guarantee deposits received |
|--|-----------------------|--------------------------|-------------------|-----------------------------|
| Balance, January 1, 2021                       | \$ 710,000            | \$ 449,934               | \$ 79,525         | \$ 23,164                   |
| Net changes in financing cash flows            | 550,000               | 50,000                   | ( 12,479)         | -                           |
| Noncash changes – lease addition/remeasurement | -                     | -                        | 8,914             | -                           |
| Noncash changes – lease disposal/write-offs    | -                     | ( 89)                    | -                 | -                           |
| Balance, December 31, 2021                     | <u>\$ 1,260,000</u>   | <u>\$ 499,845</u>        | <u>\$ 75,960</u>  | <u>\$ 23,164</u>            |

| Item   | Short-term borrowings | Short-term notes payable | Lease liabilities | Guarantee deposits received |
|--|-----------------------|--------------------------|-------------------|-----------------------------|
| Balance, January 1, 2021                       | \$ 1,184,000          | \$ -                     | \$ 98,117         | \$ 23,664                   |
| Net changes in financing cash flows            | ( 474,000)            | 450,000                  | ( 12,261)         | ( 500)                      |
| Noncash changes – lease addition/remeasurement | -                     | -                        | ( 525)            | -                           |
| Noncash changes – lease disposal/write-offs    | -                     | -                        | ( 5,806)          | -                           |
| Noncash changes - note discounts               | -                     | ( 66)                    | -                 | -                           |
| Balance, December 31, 2021                     | \$ 710,000            | \$ 449,934               | \$ 79,525         | \$ 23,164                   |

### 6.37 Income tax

#### 1. Components of income tax expense:

##### (1) Income tax expense recognized in profit or loss

| Item  | 2021      | 2020     |
|---|-----------|----------|
| Current income tax  | \$ 31,505 | \$ -     |
| Deferred income tax expense (benefit)                       |           |          |
| Initial occurrence and reversals of temporarily differences | 52,986    | 2,981    |
| Net (increase) decrease in deferred income tax              | 52,986    | 2,981    |
| Adjustments in respect of prior years                       | -         | 2,042    |
| Income tax expense (benefit) recognized in profit or loss   | \$ 84,491 | \$ 5,023 |

##### (2) Income tax expense recognized in other comprehensive income :

| Item  | 2021    | 2020     |
|---|---------|----------|
| Deferred income tax   |         |          |
| Re-measurement of defined benefit plan                                | (\$ 88) | (\$ 118) |
| Income tax expense (benefit) recognized in other comprehensive income | (\$ 88) | (\$ 118) |

2. Reconciliation between accounting profit and income tax expense recorded in profit or loss :

| Item  | 2021         | 2020        |
|---|--------------|-------------|
| Income (loss) before tax for continuing operations      | \$ 1,004,568 | (\$ 35,092) |
| Income tax expense (benefit) at the statutory tax rate  | 200,914      | ( 7,019)    |
| Income tax effects from adjustment items :              |              |             |
| Items excluded when determining taxable income          | ( 44,994)    | ( 36,058)   |
| Additional tax under minimum tax system                 | 4,013        | -           |
| Additional income tax on unappropriated earnings        | -            | -           |
| Operating loss carryforward generated                   | -            | 43,077      |
| Operating loss carryforward used                        | ( 119,220)   | -           |
| Investment deduction utilized                           | ( 9,208)     | -           |
| Income tax payable in the current period                | 31,505       | -           |
| Net (increase) decrease in deferred income tax          | 52,986       | 2,981       |
| Income tax adjustments for prior years                  | -            | 2,042       |
| Income tax expense (benefit) recorded in profit or loss | \$ 84,491    | \$ 5,023    |

The applicable income tax rate for the Company in 2021 was 20%.

3. Income tax assets (liabilities)

| Item  | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Income tax assets in the current period           |                   |                   |
| Prepaid income tax                                | \$ 4              | \$ 9              |
| Income tax liabilities in the current period      |                   |                   |
| Income tax expense payable for the current period | \$ 31,505         | \$ -              |
| Less : Offset by prepaid income tax               | ( 2)              | -                 |
| Total   | \$ 31,503         | \$ -              |

4. Balance of deferred income tax assets (liabilities)

| Item   | 2021              |                    |                            | December 31       |
|--|-------------------|--------------------|----------------------------|-------------------|
|  | January 1         | Profit or loss     | Other comprehensive income |                   |
| Deferred income tax assets   |                   |                    |                            |                   |
| Loss on market price decline and obsolete/ slow-moving inventories | \$ 13,868         | \$ 9,870           | \$ -                       | \$ 23,738         |
| Unrealized exchange loss   | 364               | ( 361)             | -                          | 3                 |
| Accrued vacation pays  | 4,914             | 200                | -                          | 5,114             |
| Defined benefit obligation plan                                    | 21,283            | ( 1,694)           | 88                         | 19,677            |
| Different treatments on depreciation between financial and tax     | 22,718            | 4,210              | -                          | 26,928            |
| Impairment loss on tangible assets                                 | 435               | -                  | -                          | 435               |
| Operating loss carryover (Note)                                    | 65,211            | ( 65,211)          | -                          | -                 |
| Total  | <u>\$ 128,793</u> | <u>( 52,986)</u>   | <u>88</u>                  | <u>\$ 75,895</u>  |
| Deferred tax liabilities   |                   |                    |                            |                   |
| Reserve for Land Value Increment Tax                               | \$ 137,395        | \$ -               | \$ -                       | \$ 137,395        |
| Total  | <u>\$ 137,395</u> | <u>-</u>           | <u>-</u>                   | <u>\$ 137,395</u> |
| Net increase (decrease)  |                   | <u>(\$ 52,986)</u> | <u>\$ 88</u>               |                   |

| Item   | 2020              |                   |                            | December 31       |
|--|-------------------|-------------------|----------------------------|-------------------|
|  | January 1         | Profit or loss    | Other comprehensive income |                   |
| Deferred income tax assets   |                   |                   |                            |                   |
| Loss on market price decline and obsolete/ slow-moving inventories | \$ 32,139         | (\$ 18,271)       | \$ -                       | \$ 13,868         |
| Unrealized exchange loss   | 1,580             | ( 1,216)          | -                          | 364               |
| Accrued vacation pays  | 5,032             | ( 118)            | -                          | 4,914             |
| Defined benefit obligation plan                                    | 22,797            | ( 1,632)          | 118                        | 21,283            |
| Different treatments on depreciation between financial and tax     | 4,378             | 18,340            | -                          | 22,718            |
| Impairment loss on tangible assets                                 | 435               | -                 | -                          | 435               |
| Operating loss carryover (Note)                                    | 65,295            | ( 84)             | -                          | 65,211            |
| Total  | <u>\$ 131,656</u> | <u>( 2,981)</u>   | <u>118</u>                 | <u>\$ 128,793</u> |
| Deferred tax liabilities   |                   |                   |                            |                   |
| Reserve for Land Value Increment Tax                               | \$ 137,395        | \$ -              | \$ -                       | \$ 137,395        |
| Total  | <u>\$ 137,395</u> | <u>-</u>          | <u>-</u>                   | <u>\$ 137,395</u> |
| Net increase (decrease)  |                   | <u>(\$ 2,981)</u> | <u>\$ 118</u>              |                   |

Note : Operating loss carryover recorded in profit or loss is the amount generated/used in the current period, adjustments on changes in estimates from prior years and newly added/reversed deferred income tax assets that are not recorded, etc.

5. Deferred income tax assets of the Company that were not recorded and not quite likely to realize

| Item                       | December 31, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Deferred income tax assets |                   |                   |
| Operating loss carryover   | <u>\$ -</u>       | <u>\$ 54,640</u>  |

6. Unrecognized deferred tax liabilities related to investments

The temporary differences related to the Company's investments are not recognized because the Company can control timing to reverse those temporary differences, and it is very likely that those temporary differences would not be reversed in foreseeable future. Therefore, no deferred income tax liability was recorded. As of December 31, 2021 and 2020, the un-recognized taxable temporary differences related to investments were \$1,753 thousand and \$1,536, respectively.

7. The Company's income tax returns through 2019 had been assessed and approved by the Tax Authority.

8. Since 2021 earnings distribution condition is still uncertain, therefore, additional income tax on 2021 undistributed earnings could not be reliably determined.

### 6.38 Earnings per share

The Company's basic earnings per share is computed using the current-period net income (loss), divided by the weighted average number of outstanding common shares ; The new shares from capital increases from un-distributed earnings or capital surplus are retrospectively computed.

If the Company may choose to distribute employees compensation with either stocks or cash, then the diluted earnings per share, assuming the compensation is distributed in stocks, is computed using the potential additional shares which would dilute the weighted average number of outstanding common shares. When determining the number of shares issued for employees compensation in the next year, the potential dilution effects are continuously considered.

|   | 2021             |   |  | 2020             |   |  |
|---|------------------|---|--|------------------|---|--|
|   | After-tax amount | Weighted average number of shares outstanding for the period (in thousands) | Basic earnings per share, after tax (in dollars) | After-tax amount | Weighted average number of shares outstanding for the period (in thousands) | Basic earnings per share, after tax (in dollars) |
| Basic earnings (loss) per share :             |                  |   |  |                  |   |  |
| Net income (loss)                             | \$ 920,077       | 531,718   | \$ 1.73  | (\$ 40,115)      | 577,795   | (\$ 0.07)  |
| Dilution effects from potential common shares |                  |   |  |                  |   |  |
| Compensation to employees                     | -                | 1,286   |  |                  |   |  |
| Diluted earnings per share :                  |                  |   |  |                  |   |  |
| Net income attributed to common shareholders  |                  |   |  |                  |   |  |
| Effects from potential common shares          | \$ 920,077       | 533,004   | \$ 1.73  |                  |   |  |

## 7. Related Party Transactions

### 1. Parent company and the ultimate controlling party

The Company is itself the ultimate controlling party.

### 2. Name of related party and relationship

| Name of related party                                    | Relationship with the Company                         |
|--|---|
| Yen Hsing Textile Co., Ltd.                              | Company that key management has significant influence |
| ZIS Holding Co., Ltd.                                    | Subsidiary of the Company                             |
| Nicest Int'L Trading Corp.                               | Subsidiary of the Company                             |
| Ding Sheng Material Technology Corporation Limited       | Subsidiary of the Company                             |
| Suzhou Hongsheng Trading Co., Ltd.                       | Subsidiary of the Company                             |
| Ding Sheng Material Technology Corporation               | Subsidiary of the Company                             |
| Su, Liao Hsiu Chin and 2 other individuals               | Substantial related party                             |
| All directors, general manager and vice general managers | Key management  |

### 3. Significant transactions with related parties

#### 1. Operating revenue

| Related party category                                | 2021       | 2020       |
|---|------------|------------|
| Company that key management has significant influence | \$ 265,355 | \$ 240,853 |
| Subsidiary  | 80,924     | 77,272     |
| Total   | \$ 346,279 | \$ 318,125 |

The transaction prices and sales terms of goods sold to the Company's related parties are similar to those of ordinary non-related parties.

#### 2. Purchases

| Related party category                                | 2021     | 2020     |
|---|----------|----------|
| Company that key management has significant influence | \$ 1,083 | \$ 1,437 |
| Subsidiary  | 76       | 70       |
| Total   | \$ 1,159 | \$ 1,507 |

The transaction prices and purchase terms of goods purchased from the Company's related parties are similar to those of ordinary non-related parties.

#### 3. Lease agreement (lessee)

##### (1) Right-of-use assets

| Related party category                     | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Su, Liao Hsiu Chin and 2 other individuals | \$ 35,479         | \$ 33,284         |

|  |                   |                   |
|--|-------------------|-------------------|
| (2) Lease liabilities – current            |                   |                   |
| Related party category                     | December 31, 2021 | December 31, 2020 |
| Su, Liao Hsiu Chin and 2 other individuals | \$ 2,784          | \$ 2,382          |
|  |                   |                   |

|  |                   |                   |
|--|-------------------|-------------------|
| (3) Lease liabilities – noncurrent         |                   |                   |
| Related party category                     | December 31, 2021 | December 31, 2020 |
| Su, Liao Hsiu Chin and 2 other individuals | \$ 33,363         | \$ 31,360         |
|  |                   |                   |

|  |        |        |
|--|--------|--------|
| (4) Interest expense                       |        |        |
| Related party category                     | 2021   | 2020   |
| Su, Liao Hsiu Chin and 2 other individuals | \$ 552 | \$ 512 |
|  |        |        |

(5) In 2021 and 2020, the total amount of rents that the Company had paid to Su, Liao Hsiu Chin and 2 other individuals were \$3,298 thousand and \$2,861 thousand, respectively.

(6) Lease contracts and the rents were determined based on mutual agreements according to the market prices, and post-dated notes were issued and cashed for the rents over to the lease period.

#### 4. Lease agree (lessor)

|                               |       |       |
|-------------------------------|-------|-------|
| Rental income                 |       |       |
| Lessee/Related party category | 2021  | 2020  |
| Subsidiary                    | \$ 96 | \$ 96 |
|                               |       |       |

The above rental income is from the Company's lease of its office to its related party; the rent of the lease contract is computed and determined by both sides based on general market standard.

#### 5. Claims and debts between the Company and the related parties (all interest free) :

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| (1) Notes receivable   |                   |                   |
| Related party category | December 31, 2021 | December 31, 2020 |
| Subsidiary             | \$ -              | \$ 66             |
|                        |                   |                   |

|   |                   |                   |
|---|-------------------|-------------------|
| (2) Accounts receivable                               |                   |                   |
| Related party category                                | December 31, 2021 | December 31, 2020 |
| Company that key management has significant influence | \$ 41,820         | \$ 45,496         |
| Subsidiary  | 36,179            | 33,673            |
| Total   | \$ 77,999         | \$ 79,169         |
|   |                   |                   |

| (3) Accounts payable                                  |  | December 31, 2021 | December 31, 2020 |
|---|--|-------------------|-------------------|
| Related party category                                |  |                   |                   |
| Company that key management has significant influence |  | \$ 82             | \$ 195            |

| (4) Other payables     |  | December 31, 2021 | December 31, 2020 |
|------------------------|--|-------------------|-------------------|
| Related party category |  |                   |                   |
| Subsidiary             |  | \$ 70             | \$ 4              |

#### 6. Others

| Item                                      | Related party category                                | 2021   | 2020   |
|---|---|--------|--------|
| Sale of defect products                   | Company that key management has significant influence | \$ 697 | \$ 583 |
| Sale of R&D samples                       | Subsidiary  | 4,308  | 2,544  |
| Consigned management fees income          | Subsidiary  | 7      | 10     |
| Sales processing fees                     | Subsidiary  | 147    | 96     |
| Purchase of leftover yarn and empty tubes | Company that key management has significant influence | 1,161  | 1,392  |

#### 4. Key management compensation

| Item  | 2021      | 2020      |
|---|-----------|-----------|
| Salaries and other short-term employee benefits | \$ 87,350 | \$ 30,929 |
| Termination benefits                            | -         | -         |
| Post-employment benefits                        | 40        | 74        |
| Other long-term benefits                        | -         | -         |
| Share-based payments                            | -         | -         |
| Total   | \$ 87,390 | \$ 31,003 |

8. Pledged Assets : None.

#### 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. Endorsements and guarantees : None

2. Guarantee notes issued

As of December 31, 2021 and 2020, due to entering of comprehensive credit contracts, the Company had issued \$800,000 thousand of guarantee notes to the financial institutions for both of the years.

3. Guarantee notes received

To ensure collectability for contracts signed, equipment warranty and guarantees for sales contracts, the Company received guarantee notes of \$576,045 thousand and \$562,548 thousand as of December 31, 2021 and 2020, respectively.

4. The unused letters of credit as of December 31, 2021 and 2020 are as follows : (Units : thousand dollars)

| Date              | Balances of issued yet unused letters of credit |
|-------------------|---|
| December 31, 2021 | NTD394,000 、 EUR609 、 USD14,694                 |
| December 31, 2020 | NTD426,000 、 EUR559 、 USD9,274 、 JPY524,000     |

5. Capital expenditures committed but not yet paid as of December 31, 2021 and 2020 were NTD29,900 thousand, and NTD111, 387 thousand.

10. Significant Disaster Losses : None

11. Significant Subsequent Events : None.

12. Others

12.1 Explanation for seasonal or periodical interim operations

The Company's operations are not affected by seasonal or periodical factors.

12.2 Capital risk management

The Company conducts capital management to sustain a robust capital basis and, by maintaining the most appropriate balances of debts and equity, maximizes return to shareholders. By periodically reviewing and measuring the related costs, risks and rate of return, ensure good profit level and financial ratios. When necessary, via various financing ways, balance the overall capital structure to afford various capital expenditures, operating funds, repayment of debts and dividends, and other needs.

## 12.3 Financial instruments

### 1. Types of financial instruments

| Financial assets  | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| <u>Financial assets measured at FVTPL</u>                 |                   |                   |
| Mandatorily measured at FVTPL                             | \$ 916,107        | \$ 603,174        |
| <u>Financial assets measured at FVTOCI</u>                |                   |                   |
| Investments in equity instruments                         | 246,998           | 208,709           |
| <u>Financial assets measured at amortized cost</u>        |                   |                   |
| Cash and cash equivalents                                 | 41,148            | 39,298            |
| Notes and accounts receivable (including related parties) | 1,631,061         | 1,261,661         |
| Other receivables   | 7,511             | 27,521            |
| Refundable deposits                                       | 23,330            | 24,799            |
| <br>  |                   |                   |
| Financial liabilities                                     | December 31, 2021 | December 31, 2020 |
| <u>Financial liabilities measured at FVTPL</u>            |                   |                   |
| Mandatorily measured at FVTPL                             | 1,526             | –                 |
| <u>Financial liabilities measured at amortized cost</u>   |                   |                   |
| Short-term borrowings                                     | 1,260,000         | 710,000           |
| Short-term notes payable                                  | 499,845           | 449,934           |
| Notes and accounts payable (including related parties)    | 842,000           | 478,132           |
| Other payables (including related parties)                | 408,789           | 303,655           |
| Lease liabilities – current and noncurrent                | 75,960            | 79,525            |
| Guarantee deposits received                               | 23,164            | 23,164            |

### 2. Financial risk management policies

The Company's daily activities are exposed to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk. In order to reduce the related financial risks, the Company's overall risk management strategy focuses on identifying, assessment and avoiding uncertainties of markets in order to mitigate potential adverse effects on the Company's financial performance from market fluctuations.

The Company's material financial activities are reviewed and approved by the Board of Directors in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

### 3. Nature and degree of material financial risks

#### (1) Market Risk

The market risks of the Company are risks of fluctuations of fair value or cash flows from changes in market prices of financial instruments. Market risk includes foreign exchange risk, interest rate risk and price risk.

##### A. Foreign exchange risk

The Company engages in businesses that involve several non-functional currencies (the functional currency of the Company is New Taiwan Dollars), therefore, the Company is affected by fluctuations in exchange rates. The foreign-currency assets and liabilities subjected to significant impacts from fluctuations in exchange rates are as following :

| Item<br>(Foreign currency :<br>functional currency) | December 31, 2021                |   |            | December 31, 2020                |   |            |
|---|----------------------------------|---|------------|----------------------------------|---|------------|
|   | Amount in<br>Foreign<br>Currency | Exchange<br>Rate of<br>functional<br>currency | In NTD     | Amount in<br>Foreign<br>Currency | Exchange<br>Rate of<br>functional<br>currency | In NTD     |
| Financial assets                                    |                                  |   |            |                                  |   |            |
| Monetary items                                      |                                  |   |            |                                  |   |            |
| USD : NTD   | \$ 18,406                        | 27.68   | \$ 509,478 | \$ 16,542                        | 28.48   | \$ 471,116 |
| CNY : NTD   | 4,234                            | 4.3440  | 18,392     | 3,496                            | 4.3770  | 15,302     |
| Financial liabilities                               |                                  |   |            |                                  |   |            |
| Monetary items                                      |                                  |   |            |                                  |   |            |
| USD : NTD   | 11,238                           | 27.68   | 311,068    | 5,772                            | 28.48   | 164,387    |

Note : Non-monetary assets in foreign currency measured at historical exchange rates on the transaction dates are not disclosed since those assets does not have significant impact on the Parent Company Only Financial Statements.

The Company's sensitivity analysis of foreign currency risk focuses on the major foreign monetary and non-monetary items on the reporting date and their foreign exchange effects on the Company's profit or loss and equity. When the foreign exchange rates appreciate/depreciate by 1%, the Company's net income in 2021 and 2020 would increase/decrease by \$1,734 thousand and \$2,576 thousand, respectively. 1% is the sensitivity ratio used for the Company's internal reporting on foreign exchange risks to key management, it also represents the management's assessment on the reasonable range of potential changes in foreign exchange rates.

The unrealized net exchange gain (loss) arising from significant foreign exchange movement on the monetary items held by the Company for 2021 and 2020 amounted to \$15 thousand and \$1,819 thousand, respectively. Due to complexity and large volume of transaction in foreign currencies, the unrealized exchange gain (loss) is expressed in summarized amounts.

#### B. Interest rate risk

Interest rate risk is the risk of fluctuations in fair value of financial instruments or in future cash flows due to changes in market interest rates. The Company's interest rate risk mainly comes from borrowings with floating interest rates. However, part of the risks are offset by the held cash and cash equivalents with floating interest rates. Since the Company regularly assess the trend of change in interest rates and would make timely responses, material risk from changes in market interest rates is not expected to occur. If the borrowing interest rate is increased/decreased by 10 basis points, given other factors remain constant, the Company's net income will decrease/increase by \$1,284 thousand and \$993 thousand for 2021 and 2020, respectively.

#### C. Price risk

The Company is exposed to the price risk of equity instruments since the investments held by the Company are classified either as financial assets measured at FVTPL or at FVTOCI. In order to manage the price risk of equity instruments, the Company diversifies its investment portfolios, with the diversification methods based on the limits set by the Company. The prices of financial assets measured at FVTPL or at FVTOCI invested by the Company would be affected by uncertainties of future value of the investment targets. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, the after-tax profit for 2021 and 2020 would have increased/decreased by \$9,146 thousand and \$6,032 thousand, respectively ; Equity would have increased/decreased by \$2,470 thousand and \$2,087, respectively.

#### (2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities (primarily accounts and notes receivables) and from financing activities (primarily bank deposits and various financial instruments). Business-related credit risk and financial credit-related risks are managed separately.

A. Business-related credit risk :

In order to manage credit risk of customers, the business units follow the Company's policies and procedures for customer credit risk. Credit-risk evaluation for all customers is performed by overall consideration on the customer's financial condition, ratings made by credit organizations, historical transaction experience, present economic conditions, the Company's internal rating standards and other factors. In addition, the Company may also use credit enhancement tools (such as advance sales receipts) in proper time to lower credit risks of certain customers.

B. Financial credit risk :

The Company's finance department manages credit risks of bank deposits and other financial instruments according to company policies. Since the Company's transaction counterparties are determined by internal control procedures and are creditworthy banks and investment grade or higher-level financial institutions, company organizations, etc. which do not have significant risk of contract default, therefore, there is no significant financial credit risk.

C. Credit risk information for receivables

The Company adopts the presumptions under IFRS 9. When an account is overdue over 30 days based on the agreed contractual payment terms, the credit risk of the financial asset is considered to have significantly increased after initial recognition ; When overdue over 365 days based on the agreed contractual payment terms, or when the debtor is unlikely to fulfill its credit obligation and fully pays to the Company, the Company regards default has occurred to the financial asset.

In order to reduce credit risks, the management of the Company has designated a dedicated team responsible for determining the credit line, credit approval, and other supervision procedures, to ensure appropriate actions have been made to recover the overdue accounts. Besides, on each balance sheet date, the Company had reviewed the recoverable amount for each account to ensure that appropriate impairment loss had been recorded. For aging analysis and loss allowance of accounts receivable, please refer to illustrations in Note 6.3 and 6.4.

The Company's major credit risks are centered on the top 10 customers of the Company. As of December 31, 2021 and 2020, the above customers account for 39.02% and 45.90% of the Company's total accounts receivables (including related parties), respectively.

#### D. Exposure to credit risk

The Company conducts business with financial institutions with good credit, and the Company diversifies the credit risk by doing business with several financial institutions, therefore, the expected rate of default is quite low ; The Company makes sales only to approved third parties with good credit, granting credit lines according to established procedures, continue to understand the credit condition of the customers, periodically assess the possibility of recovering the accounts and recognize sufficient loss allowance. The management considers that the credit risk of the Company's receivables is not overly centered. Therefore, the maximum exposure amounts of the Company's cash and cash equivalent, receivables, and other financial assets as of the balance sheet date are the same as their book value.

| Financial instruments                           | December 31, 2021 |                                       | December 31, 2020 |                                       |
|---|-------------------|---------------------------------------|-------------------|---------------------------------------|
|   | Carrying amount   | Maximum amount exposed to credit risk | Carrying amount   | Maximum amount exposed to credit risk |
| Cash and cash equivalents                       | \$ 41, 148        | \$ 41, 148                            | \$ 39, 298        | \$ 39, 298                            |
| Notes receivable (including related parties)    | 269, 770          | 269, 770                              | 221, 033          | 221, 033                              |
| Accounts receivable (including related parties) | 1, 361, 291       | 1, 361, 291                           | 1, 040, 628       | 1, 040, 628                           |
| Other receivables                               | 7, 511            | 7, 511                                | 27, 521           | 27, 521                               |

#### (3) Liquidity risk

Liquidity risk refers to risk of unable to liquidate by the expected time. The Company manages funds, achieves objectives of utilizing funds flexibly and maintaining funds mainly through borrowing from financial institutions, cash and cash equivalents and other tools, etc. The capital of the Company and operating funds are sufficient to fulfill all contractual obligations, therefore, there is no liquidity risk due to unable to acquire sufficient fund to fulfill contractual obligations.

The following schedule summarizes the Company's non-derivative financial liabilities and derivative financial liabilities traded based on net amount or gross amount, grouped according to the respective expiration dates and prepared according to the earliest possible requested repayment dates and the undiscounted cash flows. The Company does not expect significant early expiration or deviation of the actual cash flows. Regarding cash flows for interest payments that are subjected to floating interest rates, the undiscounted interest amounts are derived

from the projected curve of yield rates on the balance sheet date. Therefore, the amounts of non-derivative financial liabilities subjected to floating interest rates would change due to the difference between the estimated interest rates on the balance sheet date and the actual floating rates. Regarding maturity analysis on lease liabilities, please refer to Note 6.12-2(2).

| Item   | December 31, 2021 |             |           |           |              | Contractual cash flows | Carrying amount |
|--|-------------------|-------------|-----------|-----------|--------------|------------------------|-----------------|
|  | Within 6 months   | 6-12 months | 1-2 years | 2-5 years | Over 5 years |                        |                 |
| Non-derivative financial liabilities         |                   |             |           |           |              |                        |                 |
| Short-term borrowings                        | \$ 914,464        | \$ 351,240  | \$ -      | \$ -      | \$ -         | \$1,265,704            | \$1,260,000     |
| Short-term notes payable                     | 500,000           | -           | -         | -         | -            | 500,000                | 499,845         |
| Notes payable                                | 217,877           | -           | -         | -         | -            | 217,877                | 217,877         |
| Accounts payable (including related parties) | 624,123           | -           | -         | -         | -            | 624,123                | 624,123         |
| Other payables (including related parties)   | 408,789           | -           | -         | -         | -            | 408,789                | 408,789         |
| Derivative financial liabilities             |                   |             |           |           |              |                        |                 |
| Foreign exchange forward contract :          |                   |             |           |           |              |                        |                 |
| Outflows                                     | 1,526             | -           | -         | -         | -            | 1,526                  | 1,526           |

| Item   | December 31, 2021 |             |           |           |              | Contractual cash flows | Carrying amount |
|--|-------------------|-------------|-----------|-----------|--------------|------------------------|-----------------|
|  | Within 6 months   | 6-12 months | 1-2 years | 2-5 years | Over 5 years |                        |                 |
| Non-derivative financial liabilities         |                   |             |           |           |              |                        |                 |
| Short-term borrowings                        | \$ 711,921        | \$ -        | \$ -      | \$ -      | \$ -         | \$ 711,921             | \$ 710,000      |
| Short-term notes and bills payable           | 450,000           | -           | -         | -         | -            | 450,000                | 449,934         |
| Notes payable                                | 106,683           | -           | -         | -         | -            | 106,683                | 106,683         |
| Accounts payable (including related parties) | 371,449           | -           | -         | -         | -            | 371,449                | 371,449         |
| Other payables (including related parties)   | 303,655           | -           | -         | -         | -            | 303,655                | 303,655         |

## 12.4 Fair value information

### 1. Fair value levels :

Based on observable degrees, the valuation methods used to measure the fair value of financial and nonfinancial instruments may be classified into the following 1~3 levels :

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. price) or indirectly (i.e. inferred from price).

Level 3 : Refers to valuation methods that derive fair value of assets or liabilities based on input parameters from unobservable market data (unobservable parameters).

2. Financial instruments that are not measured at fair value

The book value of the Company's financial instruments that are not measured at fair value (including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), other financial assets – current, short-term borrowings, short-term notes payable, notes and accounts payable (including related parties), other payables (including related parties), etc.) approximates their fair value; The affect due to whether or not the expected cash flows from refundable deposits or guarantee deposits received are discounted is not material, therefore, their book value provides a reasonable basis for estimating their fair value.

3. Regarding the financial and non-financial instruments that are measured at fair value as of December 31, 2021 and 2020, the Company classifies the assets and liabilities based on their nature, characteristics, level of risks and fair value :

| Financial and non-financial instruments             | December 31, 2021 |          |            | Total       |
|---|-------------------|----------|------------|-------------|
|   | Level 1           | Level 2  | Level 3    |             |
| Assets :  |                   |          |            |             |
| Recurring fair value                                |                   |          |            |             |
| FVTPL financial assets - current                    |                   |          |            |             |
| Listed stocks                                       | \$ 916,083        | \$ -     | \$ -       | \$ 916,083  |
| Derivative instruments – forward exchange contracts | -                 | 24       | -          | 24          |
| Financial assets measured at FVTOCI – noncurrent    |                   |          |            |             |
| Non-listed stocks and limited partnership           | -                 | -        | 246,998    | 246,998     |
| Total   | \$ 916,083        | \$ 24    | \$ 246,998 | \$1,163,105 |
| Liabilities :                                       |                   |          |            |             |
| Recurring fair value                                |                   |          |            |             |
| Financial liabilities at FVTPL - current            |                   |          |            |             |
| Derivatives – foreign exchange swap contracts       | \$ -              | \$ 1,526 | \$ -       | \$ 1,526    |

| Financial and non-financial instruments             | December 31, 2020 |         |            | Total      |
|---|-------------------|---------|------------|------------|
|   | Level 1           | Level 2 | Level 3    |            |
| Assets :  |                   |         |            |            |
| Recurring fair value                                |                   |         |            |            |
| FVTPL financial assets - current                    |                   |         |            |            |
| Listed stocks                                       | \$ 602,967        | \$ -    | \$ -       | \$ 602,967 |
| Derivative instruments – forward exchange contracts | -                 | 207     | -          | 207        |
| Financial assets measured at FVTOCI – noncurrent    |                   |         |            |            |
| Non-listed stocks                                   | -                 | -       | 208,709    | 208,709    |
| Total   | \$ 602,967        | \$ 207  | \$ 208,709 | \$ 811,883 |

#### 4. The methods and assumptions used for measure fair values

The fair value of financial and non-financial instruments refers to the transaction amount with voluntary parties (not by force or by means of liquidation). The methods and assumptions used by the Company when estimating fair value of financial and non-financial instruments are as follows :

- (1) Regarding financial instruments with standard terms and condition and are traded in active markets, their fair value are determined using the quoted prices in their respective markets. For, listed securities, the closing prices are used as fair value.
- (2) Except for above financial instruments with active markets, the fair values of other financial instruments are determined by using valuation techniques or by reference to quotes from counterparty. The fair values of financial instruments determined by using valuation techniques can be referred to current fair values of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including by applying model using market information available on the Parent Company Only balance sheet date. The Company adopts valuation methods and model that are widely accepted by market participants, the inputs used by such valuation model for financial instruments are generally observable market information, and the forward exchange contracts are generally valued at the forward exchange rates at the present time.
- (3) Regarding financial instruments with higher complexity, the Company measures the fair value based the valuation methods and techniques widely used by peers in the same industry and self-developed valuation models. Part of the parameters used by such types of valuation models is not based on observable information in the market, and the Company has to make appropriate estimation-based assumptions. The fair value of the Company's held non-listed stocks are estimated either by market approach or asset approach and valuations is made by referencing to similar companies, third-party quotes, net value of the companies, and operating conditions. The major material unobservable input value is liquidity discount. For the effects to the valuation for financial instruments from parameters that are not observable in the market, please refer illustrations in Note 12.4-10.
- (4) The output of the valuation model is the computed approximate value, and the valuation technique may not be able to reflect all relevant factors of the Company's held financial and non-financial instruments. Therefore, the estimated value of the valuation model would be properly adjusted based on additional parameters, such as model risk or liquidity risk. Based on the Company's management policy for fair-value valuation model and the related controlling procedures, the valuation adjustments are appropriate and necessary. The price

information and parameters used during the valuation procedures are assessed carefully and are properly adjusted based the current market conditions.

- (5) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

5. Transfer between Level 1 and Level 2 of the fair value hierarchy in 2021 and 2020 :  
None

6. Changes in level 3 financial instruments for 2021 and 2020

| Item   | Non-derivative equity instruments – unlisted stocks |            |
|--|---|------------|
|  | 2021  | 2020       |
| Beginning balance                                    | \$ 208,709  | \$ 199,011 |
| Acquisition in this period                           | 13,200  | –          |
| Disposition in this period                           | –   | –          |
| Funds returned from capital reduction in this period | ( 8,721)  | ( 2,550)   |
| Transfer into (out from) Level 3                     | –   | –          |
| Recognized in other comprehensive income             | 33,810  | 12,248     |
| Ending balance                                       | \$ 246,998  | \$ 208,709 |

7. In 2021 and 2020, the Company did not have fair value transferred in or out from Level 3.

8. According to the Company's valuation procedures for Level 3 fair value classification, the Company's accounting department, along with outside professional appraisal institutions, share the work to independently verify the fair value of the financial instruments. The valuation works include using independent source data to make the valuation result close to the market condition and confirming independence and reliability of the data source, consistency with other resources, and representing execution price. The required input value and data are periodically updated, and any other necessary fair value adjustments are made to ensure reasonable valuation results.

9. Illustrations for quantified information of material unobservable input value and sensitivity analysis for changes in material unobservable input value for Level 3 fair value measurement items are as following :

| Item  | Fair value as of<br>December 31, 2021 | Valuation<br>technique | Material<br>unobservable<br>input value | Range<br>(weighted<br>average) | Relationship<br>between input<br>value and fair<br>value    |
|---|---------------------------------------|------------------------|---|--------------------------------|---|
| Non-derivative<br>equity instruments :                  |                                       |                        |   |                                |   |
| Un-listed stocks  | \$ 195,389                            | Market<br>approach     | Liquidation<br>discount                 | 25%                            | higher liquidation<br>discount, lower<br>fair value results |
| Venture<br>capital stocks<br>and limited<br>partnership | 51,609                                | Asset<br>approach      | NA                                      | NA                             | NA  |
| Total   | <u>\$ 246,998</u>                     |                        |   |                                |   |

| Item                                   | Fair value as of<br>December 31, 2020 | Valuation<br>technique | Material<br>unobservable<br>input value | Range<br>(weighted<br>average) | Relationship<br>between input<br>value and fair<br>value    |
|--|---------------------------------------|------------------------|---|--------------------------------|---|
| Non-derivative<br>equity instruments : |                                       |                        |   |                                |   |
| Un-listed stocks                       | \$ 164,215                            | Market<br>approach     | Liquidation<br>discount                 | 25%                            | higher liquidation<br>discount, lower<br>fair value results |
| Venture<br>capital stocks              | 44,494                                | Asset<br>approach      | NA                                      | NA                             | NA  |
| Total                                  | <u>\$ 208,709</u>                     |                        |   |                                |   |

10. After careful selection of valuation model and the parameters, the Company considers that the fair value measurements are reasonable. But when different valuation model or the parameters are used, the valuation results may be different. Regarding the financial assets and liabilities classified as Level 3, if there is change in the valuation parameters, then the affects to the current-period profit and other comprehensive income would be as following :

|                                     |                      |        | 2021                         |                    |  |                    |
|-------------------------------------|----------------------|--------|------------------------------|--------------------|--|--------------------|
| Item                                | Input value          | Change | Recognized in profit or loss |                    | Recognized in other comprehensive income |                    |
|                                     |                      |        | Favorable change             | Unfavorable change | Favorable change                         | Unfavorable change |
| Non-derivative equity instruments : |                      |        |                              |                    |  |                    |
| Un-listed stocks                    | Liquidation discount | +1%    | \$ -                         | \$ -               | \$ -                                     | (\$ 2,617)         |
|                                     |                      | -1%    | \$ -                         | \$ -               | \$ 2,617                                 | \$ -               |

|                                     |                      |        | 2020                         |                    |  |                    |
|-------------------------------------|----------------------|--------|------------------------------|--------------------|--|--------------------|
| Item                                | Input value          | Change | Recognized in profit or loss |                    | Recognized in other comprehensive income |                    |
|                                     |                      |        | Favorable change             | Unfavorable change | Favorable change                         | Unfavorable change |
| Non-derivative equity instruments : |                      |        |                              |                    |  |                    |
| Un-listed stocks                    | Liquidation discount | +1%    | \$ -                         | \$ -               | \$ -                                     | (\$ 2,186)         |
|                                     |                      | -1%    | \$ -                         | \$ -               | \$ 2,185                                 | \$ -               |

13. Supplementary disclosures

(1) Information on significant transactions, and (2) Information on investees

1. Loans to others : None;
2. Endorsements and guarantees provided to others : None;

### 3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures)

Unit : Thousand shares/units (unless specified otherwise) :

| Securities held by            | Marketable securities |   | Relationship with the securities issuer      | General ledger account                            | As of December 31, 2021 |            |               |            |
|-------------------------------|-----------------------|---|--|---|-------------------------|------------|---------------|------------|
|                               |                       |   |  |   | Number of shares        | Book value | Ownership (%) | Fair value |
| ZIG HENG INDUSTRIAL CO., LTD. | Stock                 | FORMOSA PLASTICS CORPORATION  | —  | Financial assets measured at FVTPL - current      | 592                     | \$ 50,557  | 0.01          | \$ 50,557  |
|                               |                       | Formosa Chemicals And Fibre Corporation                                       | —  | Financial assets measured at FVTPL - current      | 200                     | 16,160     | -             | 16,160     |
|                               |                       | Shinkong Synthetic Fibers Corporation   | —  | Financial assets measured at FVTPL - current      | 599                     | 12,099     | 0.04          | 12,099     |
|                               |                       | TAINAN SPINNING CO., LTD.   | —  | Financial assets measured at FVTPL - current      | 707                     | 18,064     | 0.04          | 18,064     |
|                               |                       | YI JINN INDUSTRIAL CO., LTD.  | —  | Financial assets measured at FVTPL - current      | 6,610                   | 129,225    | 2.19          | 129,225    |
|                               |                       | DE LICACY INDUSTRIAL CO., LTD.  | —  | Financial assets measured at FVTPL - current      | 3,565                   | 55,978     | 0.93          | 55,978     |
|                               |                       | ECLAT TEXTILE CO., LTD.   | —  | Financial assets measured at FVTPL - current      | 251                     | 158,145    | 0.09          | 158,145    |
|                               |                       | NANTEX INDUSTRY CO., LTD.   | —  | Financial assets measured at FVTPL - current      | 700                     | 59,640     | 0.14          | 59,640     |
|                               |                       | NANYA TECHNOLOGY CORPORATION  | —  | Financial assets measured at FVTPL - current      | 200                     | 15,620     | 0.01          | 15,620     |
|                               |                       | EVERGREEN MARINE CORPORATION (TAIWAN) LTD.                                    | —  | Financial assets measured at FVTPL - current      | 1,250                   | 178,125    | 0.02          | 178,125    |
|                               |                       | YANG MING MARINE TRANSPORT CORPORATION  | —  | Financial assets measured at FVTPL - current      | 1,250                   | 151,250    | 0.04          | 151,250    |
|                               |                       | CHINA AIRLINES LTD.   | —  | Financial assets measured at FVTPL - current      | 1,000                   | 27,550     | 0.02          | 27,550     |
|                               |                       | WAN HAI LINES LTD.  | —  | Financial assets measured at FVTPL - current      | 220                     | 43,670     | 0.01          | 43,670     |
|                               |                       | LILYENT CORP.   | —  | Financial assets measured at FVTOCI - non-current | 2,881                   | 70,330     | 4.01          | 70,330     |
|                               |                       | Yen Hsing Textile Co., Ltd.   | The Company is the director of the company   | Financial assets measured at FVTOCI - non-current | 8,732                   | 98,058     | 13.99         | 98,058     |
|                               |                       | YI TONG FIBER CO., LTD  | —  | Financial assets measured at FVTOCI - non-current | 1,341                   | 25,379     | 1.52          | 25,379     |
|                               |                       | CHU SING INDUSTRIAL CO., LTD  | —  | Financial assets measured at FVTOCI - non-current | 29                      | 1,622      | 3.32          | 1,622      |
|                               |                       | Ability I Venture Capital Corp.   | The Company is the supervisor of the company | Financial assets measured at FVTOCI - non-current | 1,423                   | 12,450     | 3.00          | 12,450     |
|                               |                       | ABILITY ASIA CAPITAL CORP.  | The Company is the supervisor of the company | Financial assets measured at FVTOCI - non-current | 2,000                   | 23,640     | 1.04          | 23,640     |
|                               | Limited partnership   | Ability Asia Capital II Outstanding Transformation Growth Limited Partnership | —  | Financial assets measured at FVTOCI - non-current | -                       | 15,519     | -             | 15,519     |

4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital :

| Bought/Sold by                | Type and name of security | Recorded account                             | Transaction counterparty | Relationship | Beginning balance |           | Bought          |                              | Sold            |           |                |                      | Ending balance  |           |
|-------------------------------|---------------------------|--|--------------------------|--------------|-------------------|-----------|-----------------|------------------------------|-----------------|-----------|----------------|----------------------|-----------------|-----------|
|                               |                           |  |                          |              | Thousand shares   | Amount    | Thousand shares | Amount                       | Thousand shares | Price     | Carrying value | Disposal gain (loss) | Thousand shares | Amount    |
| ZIG HENG INDUSTRIAL CO., LTD. | NANTEX INDUSTRY CO., LTD. | Financial assets measured at FVTPL - current | Stock exchange market    | -            | 1,980             | \$120,978 | 2,100           | \$177,881<br>7,450<br>(note) | 3,380           | \$343,902 | \$246,669      | \$97,233             | 700             | \$ 59,640 |

Note : Net gain from financial assets measured at FVTPL.

5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital : None ;

6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital : None ;

7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital :

| Purchaser/seller               | Counterparty                | Relationship with the counterparty         | Transaction       |           |                                       |                             | Differences in transaction terms compared to third party transactions |                           | Notes/accounts receivable (payable) |   |
|--------------------------------|-----------------------------|--|-------------------|-----------|---------------------------------------|-----------------------------|---|---------------------------|-------------------------------------|---|
|                                |                             |  | Purchases (sales) | Amount    | Percentage of total purchases (sales) | Credit term                 | Unit price  | Credit term               | Balance                             | Percentage of total notes/accounts receivable (payable) |
| Zig Sheng Industrial Co., Ltd. | Yen Hsing Textile Co., Ltd. | The Company is the director of the company | Sale              | \$265,355 | 2.37%                                 | 15 days after month closing | No significant difference   | No significant difference | Accounts receivable<br>\$41,820     | Accounts receivable<br>3.07%                            |

8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None;

9. Information about the derivative financial instruments transaction : Please see Note 6.2-3;

10. Name, location, etc. of investee companies over which the Company has direct or indirect influence, control or joint control (not including investments in Mainland China)

Unit : NTD thousand/USD thousand

| Investor   | Investee   | Location  | Main business activities  | Initial investment amount |                   | Shares held as the year-end |                         |                | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee (Note) | Footnote   |
|--|--|-----------|---|---------------------------|-------------------|-----------------------------|-------------------------|----------------|-------------------------------------|--|--|
|  |  |           |   | December 31, 2021         | December 31, 2020 | Number of Shares (thousand) | Percentage of Ownership | Carrying Value |                                     |  |  |
| Zig Sheng Industrial Co., Ltd.                     | ZIS Holding Co., Ltd.                              | Mauritius | Make various investments outside of Taiwan area following the Parent company's operating policies | \$185,020                 | \$185,020         | 5,400                       | 100%                    | -              | -                                   | -  | Please refer to Note 6.9   |
|  | Nicest Int'L Trading Corp.                         | Samoa     | Make various investments outside of Taiwan area following the Parent company's operating policies | 8,883                     | 8,883             | 300                         | 100%                    | \$17,648       | \$1,524                             | \$1,625                                    | Include \$101 thousand net positive profit adjustment due to difference in unrealized income tax between the entity basis and consolidated basis point of view |
|  | Ding Sheng Material Technology Corporation Limited | Taipei    | Production of synthetic resin and industrial plastic products and related trading                 | \$15,000                  | \$15,000          | 1,500                       | 100%                    | \$3,561        | (\$810)                             | (\$757)                                    | Include \$53 thousand net positive profit adjustment due to difference in unrealized income tax between the entity basis and consolidated basis point of view  |
| Ding Sheng Material Technology Corporation Limited | Ding Sheng Material Technology Corporation         | USA       | General import/export trading   | 6,340                     | 6,340             | 200                         | 100%                    | (3,340)        | (754)                               | (754)                                      |  |

Note : Except for initial investment amounts measured using historical exchange rates; all foreign currency amounts in the above schedule are converted to NTD using the exchange rate on the balance sheet date.

(3) Information on investment in Mainland China :

1.

Unit : NTD thousand/USD thousand

| Investee in Mainland China        | Main business activities  | Total Amount of Paid-in Capital | Investment Method | Accumulated Outflow of Investment from Taiwan as of Beginning of Period | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of End of Period | Net Income (Losses) of the Investee | Ownership Held by the Company (direct or indirect) (%) | Investment Profits/Losses Recorded | Carrying Amount as of End of Period | Accumulated Inward Remittance of Earnings as of End of Period |
|-----------------------------------|---|---------------------------------|-------------------|---|------------------|--------|---|-------------------------------------|--|------------------------------------|-------------------------------------|---|
|                                   |   |                                 |                   |   | Outflow          | Inflow |   |                                     |  |                                    |                                     |   |
| Kunshan Lilytex Co., Ltd.         | Warehouse rental business   | USD24,782                       | Note (1)          | \$185,020 (USD5,400)  | —                | —      | \$185,020 (USD5,400)  | (\$74,467)                          | 21.79%   | —<br>Note (3)                      | 0<br>Note (3)                       | -   |
| Suzhou Hongsheng Trading Co., Ltd | Engage in wholesale, import/export, agency (excluding auctions) of plastic products, chemical products (except for hazardous items), synthetic fiber materials, products made by synthetic fibers, textile materials, mechanical and electric equipment and its parts and the related services, consulting services and maintenance/repair services for mechanical and electric equipment and its parts | USD300                          | Note (1)          | 8,883 (USD300)  | —                | —      | 8,883 (USD300)  | 1,524                               | 100.00%  | \$1,524<br>Note (2)                | \$18,007<br>Note (2)                | -   |

| Accumulated Investment in Mainland China as of End of Period | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment (Note (4)) |
|--|--|--------------------------------------|
| \$193,903 (USD5,700)   | \$193,903 (USD5,700)   | \$4,386,186                          |

Note :

- (1) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The investment is approved by the government.
- (2) Investments in the third area, the investment income or loss under equity method and ending carrying amounts are recognized according to the direct and indirect shareholding ratio and the financial statements of Mainland China investee companies

audited by the CPA of Parent company.

- (3) Shareholding ratio does not reach 50%, without controlling power, and the Company does not endorse any debt or other financial commitment of the investee company. Therefore, the carrying amount under equity method only written down to zero.
- (4) According to regulation by Investment Commission, MOEA, the accumulated investment amount or ratio in the investments in Mainland China is limited to 60% of the Company's equity or consolidated equity, whichever is higher.
- (5) Except for initial outbound investment measured using historical exchange rates; all foreign currency amounts in the above schedule are converted to NTD using the exchange rate on the balance sheet date.

2. Material transactions with investee companies in Mainland China directly or indirectly through third area :

(1) Purchase amounts and percentage and the related ending balances accounts payable and percentage

A. For the year ended December 31, 2021 :

| Name of related party              | Purchases |   | Accounts Payable |  |
|------------------------------------|-----------|---|------------------|--|
|                                    | Amount    | Percentage of the Company's total purchases | Amount           | Percentage of the Company's total accounts payable |
| Suzhou Hongsheng Trading Co., Ltd. | \$ 76     | -   | \$ -             | -  |

B. For the year ended December 31, 2020 :

| Name of related party              | Purchases |   | Accounts Payable |  |
|------------------------------------|-----------|---|------------------|--|
|                                    | Amount    | Percentage of the Company's total purchases | Amount           | Percentage of the Company's total accounts payable |
| Suzhou Hongsheng Trading Co., Ltd. | \$ 70     | -   | \$ -             | -  |

C. The above purchase terms were made according to agreed prices, the payment terms is 90 days after month closing.

(2) Sales amounts and percentage and the related ending balances of accounts receivable and percentage

A. For the year ended December 31, 2021 :

| Name of related party              | Sales revenue |   | Accounts receivable |   |
|------------------------------------|---------------|---|---------------------|---|
|                                    | Amount        | Percentage of the Company's total sales | Amount              | Percentage of the Company's total accounts receivable |
| Suzhou Hongsheng Trading Co., Ltd. | \$55,557      | 0.50%                                   | \$18,390            | 1.35%   |

B. For the year ended December 31, 2020 :

| Name of related party              | Sales revenue |   | Accounts receivable |   |
|------------------------------------|---------------|---|---------------------|---|
|                                    | Amount        | Percentage of the Company's total sales | Amount              | Percentage of the Company's total accounts receivable |
| Suzhou Hongsheng Trading Co., Ltd. | \$54,655      | 0.71%                                   | \$15,300            | 1.47%   |

C. The above sales terms were made according to agreed prices, the collection terms is 90 days after month closing.

(3) Property transaction amounts and the gains or losses generated : None

- (4) Balances of guaranteed notes or collaterals offered and their purposes : None
- (5) The highest amount, ending balance, range of interest rates and total interest amount of financial accommodation : None
- (6) Other transactions that have material effects on the current-period profit (loss) or on the financial position :
- A. The Company paid \$147 thousand and \$51 thousand of business processing fees to Suzhou Hongsheng Trading Co., Ltd. in 2021 and 2020, respectively. The amounts are recorded in operating expense.
- B. The Company sold R&D samples to Suzhou Hongsheng Trading Co., Ltd. for \$4,172 thousand and \$2,369 in 2021 and 2020, respectively. The amounts are recorded in non-operating income – other income.
- C. The unrealized sales gains generated from the sales transactions between the Company and Suzhou Hongsheng Trading Co., Ltd. in 2021 and 2020 were \$479 thousand and \$73 thousand, respectively ; the realized sales gains were \$73 thousand and \$597, respectively.

(4) Information on major shareholders

2021.12.31.

| Shares<br>Name of Major Shareholders | Number of Shares Held | Percentage of Ownership (%) |
|--------------------------------------|-----------------------|-----------------------------|
| Yi Sheng Investment Co., Ltd.        | 52, 783, 760          | 9. 92%                      |
| Su, Bai Huang                        | 27, 160, 455          | 5. 10%                      |
| Su, Ching Yuan                       | 26, 912, 389          | 5. 06%                      |

Note : 1. The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered (including treasury shares) with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.

2. If the above data relate trusted shares by shareholders, the principals are separately disclosed based on the trust accounts opened by the trustees. As to filings by internal shareholders with over 10% holding percentage according Securities and Exchange Act regulations, there the shares include shares held by principals and trusted shares with controlling power retained, please refer to Market Observation Post System.

#### 14. Segment Information

The Company had disclosed the related segment information in the Consolidated Financial Statements per regulations; therefore, the segment information is not disclosed in the Parent Only Financial Statements.