Stock Code：1455

ZIG SHENG IND. CO., LTD.

2020 Annual Report

<u>Notice to readers</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System：http://mops.twse.com.tw
ZIG SHENG Annual Report is available at：http://www.zigsheng.com
Printed on June 3, 2021

Spokesperson
Name：SU, PAT-HUANG
Title：President
Tel：886-2-25557151
E-mail：barry@zigsheng.com

Deputy Spokesperson
Name：KUO, SHIH-CHENG
Title：Vice President of General Management Division
Tel：886-2-25557151 ext.8006
E-mail：jason_kuo@zigsheng.com

Deputy Spokesperson
Name：YEN, CHUNG-TZU
Title：Vice President of Financial Department
Tel：886-2-25557151 ext.8350
E-mail：teana_yen@zigsheng.com

Stock Transfer Agent
Name：Registrar Agency Department of Capital Securities Corporation
Address：B2, No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106420, Taiwan (R.O.C.).
Website：www.capital.com.tw
Tel：886-2-2703-5000

Auditors
Auditors： HSIAO, YING CHIA、LIN, MEI LING
CPAs Name：Crowe (TW) CPAs
Address：10F., No. 369, Fuxing N. Rd., Songshan Dist., Taipei City 105001, Taiwan (R.O.C.)
Website：www.crowe.com/tw
Tel.： 886-2-8770-5181

Overseas Securities Exchange：None.
Corporate Website：www.zigsheng.com

Headquarters, Branches and Plant of company

Taipei Office
Address： 2F., No. 70, Xining N. Rd., Datong Dist., Taipei City 103601, Taiwan (R.O.C.)
Tel：886-2-25557151

DTY Plant I
Address： No. 60, Dongwanshou Rd., Guishan Dist., Taoyuan City 333025, Taiwan (R.O.C.)
Tel：886-3-3295267

DTY Plant II、Compounding Plant、Nylon Polymerization Plant II
Address： No. 522, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 328453, Taiwan (R.O.C.)
Tel：886-3-4838961

DTY Plant Ill、Nylon Spinning Plant I、Nylon Polymerization Plant I
Address： No. 506, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 328453, Taiwan (R.O.C.)
Tel：886-3-4832267

Nylon Spinning Plant II、Nylon Polymerization Plant Ill
Address： No. 17, Dagong Rd., Dayuan Dist., Taoyuan City 337012, Taiwan (R.O.C.)
Tel：886-3-3869910

ATY Plant
Address：No. 2, Ronggong S. Rd., Guanyin Dist., Taoyuan City 328453, Taiwan (R.O.C.)
Tel：886-3-4833362

Contents

Operating Performance in 2019

IV. Capital Overview

V. Operational Highlights

VI. Financial Information

VII. Review of Financial Status, Financial Performance, and Risk Management

VIII. Special Disclosure

I.Letter to Shareholders

Thank you very much for joining us in our 2021 shareholders' meeting. As the representative of Zigsheng Industrial Co., Ltd., I thank you for your long-term support and encouragement.

In January last year, the outbreak of COVID-19 quickly seized the world. Lock-downs, border control, and the shrinking and halting of commercial activities devastated the global economy. Due to a much lower demand of oil and the lack of oil storage, international crude oil prices fell incredibly to a negative number. Fortunately, with the rolling out of vaccines, global economy started recovering. In Taiwan, with God's protection, the government and the people worked hard together to keep Taiwan pandemic free, and the world had witnessed the strength of Taiwan's industries.

More than two years of US-China trade war and the threat of COVID-19 have caused rapid fluctuations in international crude oil prices, which greatly impacted Zigsheng's earnings. In the face of seven consecutive quarters of operating losses since the fourth quarter of 2018, we actively and carefully engaged in problem solving and stood firm against the headwinds, believing that all crises would turn into opportunities. After actively implementing strategies such as balancing production and sales, adjusting product structures, strict inventory costs control, and international brands expansion, starting the third quarter of 2020, Zigsheng went from net loss to net profit. In the fourth quarter of 2020, our single-quarter profit was close to NT$300 million. For the year of 2020, our revenue was NT$7.65 billion, with loss before tax a mere NT$35.09 million.

With over 50 years of long-term operational stability in the chemical fiber industry, Zigsheng has a solid financial structure. With the advantage of superb cash flow, since March 2020, we have bought back a total of 80,075,000 treasury shares (equivalent to 13% of total shares) in order to protect the rights of our shareholders, making the amount of capital drop from NT$6.1 billion to NT$5.3 billion. The funds used to purchase treasury shares, which amounted to about NT$660 million, were all from operating cash inflow. The Company's obligations have not increased (our interest-bearing liabilities at the end of 2019 was NT$1.18 billion, and NT$1.16 billion at the end of 2020), and the debt ratio was only 27%.

Thanks to the concerted efforts of our colleagues, Zigsheng’s operating profits have been growing quarter after quarter. The net profit after tax in the first quarter of this year (2021) was NT$382 million, and the net value per share has risen from NT$11.4 at the end of 2019 to NT$13 today. The Company's stock price has also risen to a new ten-year high. The hard work of our colleagues in 2020 have indeed turned our crises into opportunities.

With the recovery of global economy, we at Zigsheng will endeavor to create an even better future for our shareholders and employees. Thank you for your long-term support. We wish you health and prosperity.

Sou-Tsun Yeh

Chairman of the Board

1.1 Operating Performance in 2020

1.1.1 Consolidated financial results

Unit：NT$ thousand

Analysis Item / Years	2020	2019	Increase or decrease amount	Change ratio %
Operating Revenue	7,675,607	11,841,377	(4,165,770)	(35.18)
Gross Profit (Loss)	84,463	(15,267)	99,730	653.24
Operating expenses	364,077	425,859	(61,782)	(14.51)
Net operation income (Loss)	(279,614)	(441,126)	161,512	36.61
Income (Loss) Before Tax	(34,802)	(331,751)	296,949	89.51
Net income (Loss)	(40,115)	(302,638)	262,523	86.74

1.1.2 Budget implementation

According to the “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company is not required to publish the 2021 financial forecast information, so there is no budget execution analysis data.

1.1.3 Profitability analysis

Analysis Item / Years			2020	2019
Financial income and expenditure	Liabilities to assets ratio	(%)	26.89	25.15
	Current ratio	(%)	147.71	167.45
	Quick ratio	(%)	94.28	86.7
	Average collection turnover	(day)	71	68
	Days sales outstandingy	(day)	57	54
	Times interest earned	(times)	(2.06)	(18.54)
	Interest expense	(NT$ thousand)	11,374	16,976
Profitability	Return on asset	(%)	(0.33)	(2.74)
	Return on equity	(%)	(0.58)	(4.09)
	Income before tax to Paid-in Capital ratio	(%)	(0.63)	(5.42)
	Ratio of Net Income	(%)	(0.52)	(2.56)
	Earnings per Share (EPS)	(NT$)	(0.07)	(0.49)

1.1.4 Research development status

1.1.4.1 ZISECO® Recycling Nylon Fiber from Process Waste fibers and Fishing Nets

As consumers' awareness of environmental protection has been increasing year by year, environmentally-friendly recycled fiber has become an absolute product demanded by customers and brands. For this reason, ZIGSHENG has continued to invest a lot of effort in the development and quantitative production of GRS recycled nylon fiber products in recent years.

Since 2020, ZIGSHENG has successfully produced "Waste fishing nets recycled nylon fiber" and "100% recycled nylon fiber from process waste fiber ", which means that we have both pre-consumer and post-consumer two types of recycled nylon fiber products. And these two types of products have obtained the new version of GRS certification.

1.1.4.2 MAGICIL® two-tone nylon fiber

Over the years, ZIGSHENG has broken through the technical threshold of polymerization, spinning and false twisting in order to give nylon fibers more dyeability changes, and has successively developed MAGICIL® nylon fiber series products such as dense dyeing, light dyeing, and dark/light colors. In recent years, in order to meet the more diverse needs of customers, ZIGSHENG has actively invested in the development of two-tone nylon fancy yarn products with higher technical levels, so that its washing fastness can reach 3 to 3.5 or more, leading the competition of nylon products by about 1 to 2 The level.

In order to make the fabric have a combination of all nylon fibers, and improve the hand feel, skin-friendly and wear-resistant characteristics, even in the future discarding stage, it is easy to enter a single material recycling process. This product is more in line with the current development trend of "fashion + function + environmental protection" diversified clothing. Driven by the gradual increase in domestic demand for special nylon, it is expected to provide customers with more diverse choices in the application of nylon fancy yarn products.

1.1.4.3 Thermoplastic composite material development

Under the global aerospace replacement tide, lightweight vehicles, green wind power and environmental protection policies in response to energy saving and carbon reduction, all countries in the world have listed lightweight materials as one of the national key development projects. ZIGSHENG combines nylon and carbon fiber materials to develop thermoplastic composite products that have the characteristics of light weight, high rigidity, thinness and high toughness, and have the advantages of short molding cycle, easy processing, no storage restrictions, and recyclability.

In the future, ZIGSHENG will introduce this thermoplastic composite product to applications in high value-added industries such as automobiles, consumer electronics, leisure sports, wind power generation, aerospace, construction, defense and precision machinery.

1.1.4.4 High translucent nylon

Nylon 6 material is a polycrystalline polymer. The crystallinity, crystal form and crystal density of the material not only affect the transparency and appearance of the material, but also affect its mechanical properties. ZIGSHENG has developed a nylon material with high transparency and brightness through its unique copolymerization technology. This product has about 10% higher refractive index and light transmittance than normal nylon 6 materials, and has a shorter molding time and better processing flow characteristics. It is suitable for the design and processing of key components, bottles and containers, cultural and creative arts and other application markets.

1.1.4.5 Smart transformation of yarn manufacturing technology

As a pioneer in the introduction of automation equipment in the domestic textile industry, ZIGSHENG has actively invested in the application of smart technologies such as production automation, remote monitoring, data networking and AI (artificial intelligence) detection in recent years, driven by the trend of smart manufacturing technology. With the introduction of smart manufacturing transformation technology, ZIGSHENG factory can not only monitor and eliminate the production status in real time, and make the production staff more humane, but more importantly, it can provide customers with more stable quality yarn products.

ZIGSHENG will continue to expand the application level of smart manufacturing in the future to optimize processes, reduce energy consumption, reduce costs, save labor and increase product added value, and move towards the goal of improving the overall competitiveness of smart factories.

1.2 Summary of the business plan for 2021

1.2.1 Operating principles

1.2.1.1 Continue to implement differentiated, customized, and diverse products; while expanding recycled, earth-friendly green products.

1.2.1.2 Distribute the market to avoid the operating risk of uncertain orders amidst the ongoing U.S. China trade war. Develop lightweight, environmentally friendly products and keep ahead of trends to replace metal components with engineering plastic. The compounding department will rely on American firms to strengthen the sale of Japanese and American products, automotive parts, bicycle parts, hand-tools, and home furnishings.

1.2.1.3 Continuously promote new DTY products to start new trends while supplying VF, PGA, NIKE and other large international sports brands.

1.2.1.4 Nylon yarn

(1) The improvement of nylon spinning machines and the vertical integration of nylon production is nearing completion. Spinning plant 1 will move towards a small volume of diverse and differentiated products.

(2) Spinning plant 2 will continue to expand production of polyester POY by another 1,500 tons per month in September of this year. Eliminating labor intensive specifications will increase the overall utilization rate of production capacity while reducing costs.

(3) Continue to expand foreign markets while strengthening sales of our six major product lines： collagen yarns, hydrophilic nylon, GRS recycled yarn, dope-dyed yarn, high-tensile yarn, and monofilament yarns.

1.2.2 Estimated sales data

In accordance with regulations regarding “The implementation of public disclosure systems to disclose or publish estimated company financial information,” Zig Sheng is not required to disclose estimated financial information for 2021.

1.2.3 Important production and sales strategies

1.2.3.1 Product research and development

Zig Sheng has always attached great importance to sustainability. In recent years, the company has continued to promote energy conservation and carbon reduction, while also achieving considerable results in various electricity and water conservation efforts. The Heat-Medium Boilers (HTM) now run on natural gas instead of heavy oil to help reduce air pollution. Extra prevention and control equipment also greatly reduces the pollution emitted by coal-fired boilers. An additional 1930kw solar power plant could be built to promote green energy and go online in April 2021. In the future, the company will continue to monitor various ESG issues and strive towards the goal of sustainable development.

1.2.3.2 Product research and development

Zig Sheng aims to continue our medium and long-term product development strategy, commit to high value-added products, and continuously improve product quality to better serve our target customers. The company will continue to optimize new products, such as special engineering plastics, recycled nylon filament, environmentally friendly recycled fishing net nylon filament; and functional yarns for use in health management, micro-environment management etc. Apart from creating both fashionable and functional products, Zig Sheng hopes to develop green products that benefit both our customers and the environment.

1.2.3.3 Production and sales management:

Fiber Division：

Starting from 4Q20, our goal is to stabilize internal production of our own supply; continue to attract new customers and expand the scale of operations; reduce conventional products; and achieve more efficient coordination between internal production, sales, and purchase bargaining power, so as to improve overall operating profits.

Chemicals Division：

This year, we will improve production volume and management efficiency by replacing planned production with flexible production methods; optimizing the configuration of production lines and increasing efficiency; strengthening the flexibility of operations, production, and sales control of production and sales supply chains; adjusting raw material procurement and strictly controlling inventory; and establishing a long-term and stable cooperative relationship with customers.

1.3 Company's future development strategy

Promotional activities related to the textile industry have been greatly affected by the Coronavirus Pandemic. Zig Sheng will continue to promote the company through in-person and video conferences. The global epidemic has gradually been brought under control as initial vaccines are being administered in the United States and European countries. Local governments in various countries are also advocating several monetary policies to save the economy. The global economy and geopolitics will be reshaped in the post-pandemic era. The textile industry will continue to working together to coordinate sustainability development trends and the circular economy.

In 2021, Zig Sheng will work harder to achieve economic efficiency, conserve energy and reduce carbon emissions; while actively promoting industrial safety, corporate social responsibility, and other issues relating to corporate governance. The company is committed to strengthening market competitiveness to drive the momentum behind business growth, and continuing to provide for the maximum welfare of shareholders and employees.

1.4 The effect of external competition, the legal environment, and the overall business environment

The Coronavirus (COVID-19) epidemic broke out in 2020 and soon worsened into a global pandemic. The pandemic not only poses a great public health threat, but also affects the global economy and industrial supply chains. International oil prices have fallen significantly due to a sharp decrease in demand. The impacts of the pandemic have changed our lifestyles, work, and consumption patterns. Market demand has been frozen and many international apparel brands are closing their brick-and-mortar stores. The entire Taiwanese fiber and textile industry is suffering because downstream customer purchases have stagnated.

In 2020, the price of nylon raw material-CPL (caprolactam) fell from USD 1,380 to USD 890 per ton at its lowest point. Polyester raw materials terephthalic acid (PTA) and ethylene glycol (MEG) also fell by more than 30% to USD 380 per ton. This drop in raw material prices during the first half of 2020 caused heavier inventory losses than expected. When combined with production reduction measures adopted in response to the pandemic, the resulting decline in revenue was the main reason for financial losses reported in 1H20. Fortunately, the demand for real estate increased in 2H20. However, Taiwan’s effective control of the pandemic, along with orders transferred amidst the Sino-US trade war, has driven up the prices of crude oil and intermediate raw materials. This situation is highly beneficial to Taiwanese man-made fiber raw materials and has contributed to rising prices and increased volume.

The textile industry and market experienced drastic changes in recent years. Zig Sheng responded by making lean adjustments to our nylon polymerization, nylon spinning and DTY production lines that showed concrete results. All production lines are running near capacity. In 2020, the company worked hard to increase the flexibility of upstream and downstream operations, cooperate more closely with brand customers, reduce inventory, reduce conventional nylon yarn production and sales, and upgrade spinning equipment. In 2021, we hope to achieve fully integrated operation to reverse losses and increase profits.

New product development capabilities and scheduling are an integral part of long-term strategy due to fierce competition in the polyester DTY market. Zig Sheng completed new polyester POY production lines in 4Q20. This will afford the company greater control over the development of upstream specialty chips to increase the added value of our products, actively expand the development of recycled nylon and recycled polyester products, and leverage upstream and downstream consistency to respond quickly to changes in the market. Vertical integration of upstream and downstream production technology, in addition to the development of customized niche products, will enable flexible, small volume production of diversified products that not only meets the demand for shorter delivery time, but also increases the utilization rate of spinning equipment and DTY output to support stable profit growth.

Chairman：YEH, SOU-TSUN

President： SU, PAT-HUANG

Assistant Vice President of
Accounting Department：CHEN, CI-HUANG

II. Company Profile

2.1 Date of Incorporation：August 18, 1969

2.2 Company History：

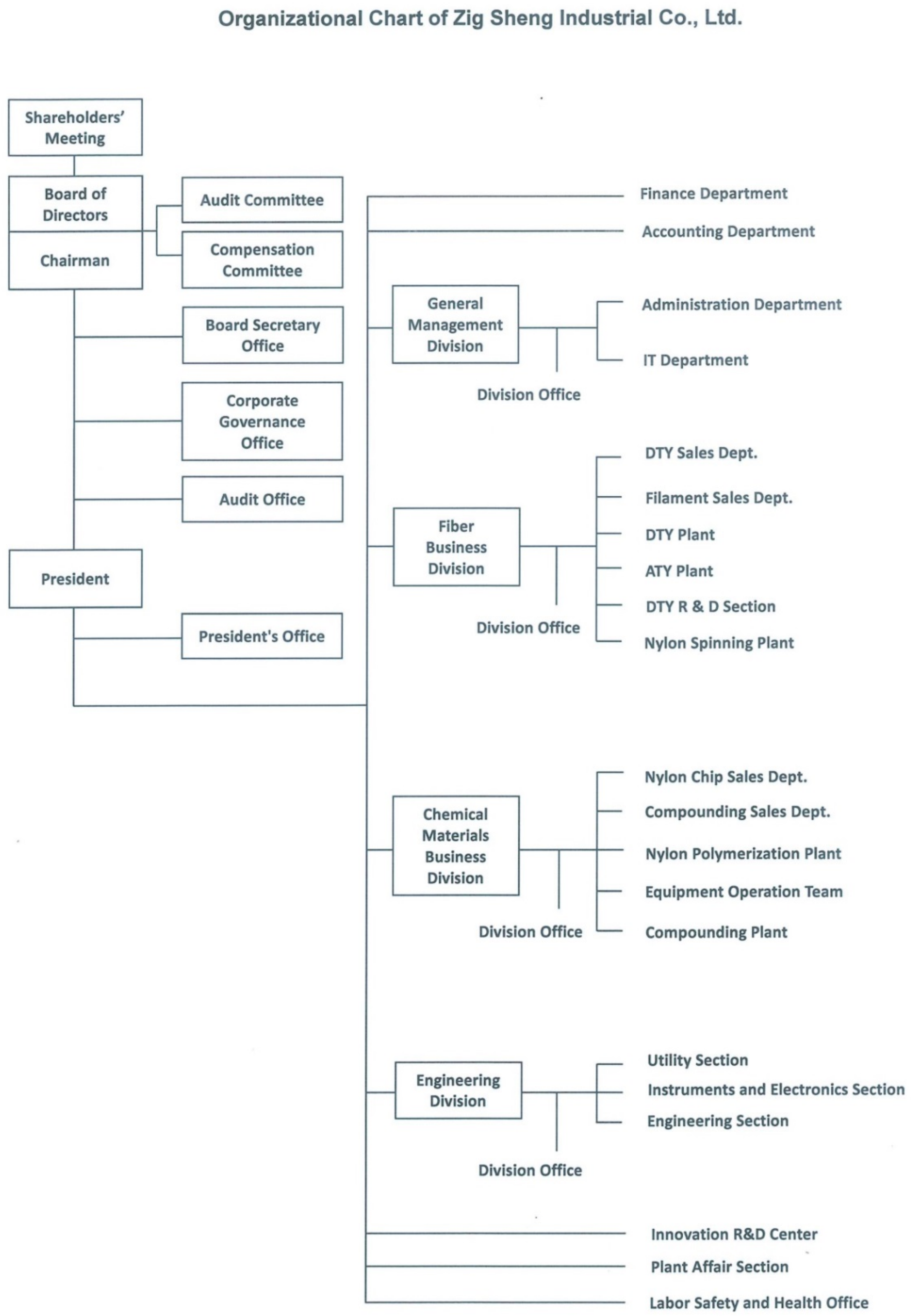
Year	Milestones
1969	ZIG SHENG Industry Co., Ltd. was founded by Mr. Su Hsin, Mr. Su A-Lin and Mr. Yeh Sou-Tsun, with a capital of NT$16 million under partnership.
1970	Operation of the " First DTY Plant " started .
1982	By leading the industry, first introduced high-speed friction type draw texturing machine, which was the beginning of production automation at the time.
1990	Supplement the publicly issue, plan the stock IPO.
1992	" Second DTY Plant " was constructed. ZIG SHENG establishes Taiwan's first fully automatic plant.
1993	Company stock listed on Taiwan Stock Exchange. (TW：1455)
1994	Approval ISO-9002 QA certification.
1997	" Third DTY Plant "started . Approval ISO - 9001 Quality Certification.
1998	Planning construction of line production Nylon Plant for production of Nylon chips and yarn. The plant had been approved as an important investment by the " Industrial Development Bureau " and was able to enjoy income tax free for 5 years.
2000	Nylon Spinning Plant start-up.
2001	PA6 Polymerization Plant start-up.
2004	Expanded the " Second Nylon Polymerization Plant " .Expand of four production lines the monthly output to 6,000 tons.
2006	Start-up of the second PA6 Polymerization Plant.
2007	Investment the second PA6 Polymerization Plant , in line with the provisions of the "Incentive Measures for the Five-Year Exemption of Profit-making Enterprise Income Tax for New Investment in Manufacturing and Related Technical Service Industries" promulgated by the Executive Yuan, it has been profit-making enterprise income tax for five consecutive years since 2009.
	Approval OHSAS-18001 certification.(Occupational Health and Safety Management System)
2008	Start-up Chemical Materials Business Division and Fiber Business Division

Year	Milestones
2009	Strengthened the connection of the website between the company and the Taiwan Stock Exchange, completely - Won The 6th Listed Company Information Disclosure Evaluation Progress Excellence Award.
2010	Approval ISO/TS 16949 automotive quality control system certification.
2011	Third PA6 Polymerization Plant and Second Nylon Spinning Plant were acquired.
2012	The Polyester Yarn Plant was officially put into operation.
2013	Start-up of the Third PA6 Polymerization Plant and the ATY Plant.
2014	ISO 14064-1 Greenhouse Gas Emissions Verification Statement was approval.
	ISO 14001 Environmental Management System Certification was approval.
2015	The certification of GRS (Global Recycled Standard System) was approval.
2016	The Water Material Plant was constructed.
2017	The "Corporate Social Responsibility Report" was issued for the first time.
2019	From the OHSAS 18001 certification (Occupational Health and Safety Management System), following the requirements of the new standard, smoothly transitioned to the ISO 45001 occupational health and safety management system.
2020	The new Polyester Yarn Plant was built and put into operation in the first quarter. The second construction has been done and installation completed.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Responsibilities of Functional Committee and Main Departments

<table>
<tr><th colspan="2">Main Department</th><th>Responsibilities</th></tr>
<tr><td colspan="2">Audit Committee</td><td>According to the terms of reference listed in Article 6 of the "Organizational Rules of Audit Committee" of the company.</td></tr>
<tr><td colspan="2">Compensation Committee</td><td>● Formulating the company's compensation policies, systems, standards and structures.
● Regularly evaluating the compensation of the company’s directors and managers.
● Regularly reviewing the annual and long-term performance targets of the company’s directors and managers.</td></tr>
<tr><td colspan="2">Board Secretary Office</td><td>● Draft the contents of the board meeting and handle related matters of the meeting.
● Regularly evaluate board performance.</td></tr>
<tr><td colspan="2">Corporate Governance Office</td><td>● Formulate (revise) the company's articles of incorporation, and disclose the information, consolidate the reporting and manage relevant rules and regulations of corporate governance.
● Draft the contents of the shareholders’ meeting and handle related matters of the meeting.
● Handle matters related to the election and appointment of directors, and assist in the further study of directors.
● Analyze the annual corporate governance assessment of TWSE, and assist in updating the company's website to strengthen information disclosure.</td></tr>
<tr><td colspan="2">Audit Office</td><td>Assisting in the establishment and promotion of various management systems; drafting, reviewing and reporting internal audit plans; tracking and improving various major exceptional cases; supervising and reviewing self-inspection operations of internal control.</td></tr>
<tr><td colspan="2">President's Office</td><td>Assisting in the establishment and promotion of various management systems, the ISO quality assurance system and the OHSAS occupational safety and health system; project promotion, improvement and inspection; holding business meetings; management of company documents; assisting in the implementation of computerized operations.</td></tr>
<tr><td colspan="2">Finance Department</td><td>● Planning and execution of stock affairs, financial cashier, capital scheduling and investment cases.
● Handling matters required by directors to effectively assist directors in performing their duties and complying with relevant laws and regulations.</td></tr>
<tr><td colspan="2">Accounting Department</td><td>Establishment of accounting system and accounting treatment of various accounting, taxation, and cost entries.</td></tr>
<tr><td rowspan="2">General Management Division</td><td>Administration Department</td><td>Procurement of various materials, project contracting, property insurance, personnel and general affairs.</td></tr>
<tr><td>IT Department</td><td>Coordinating the company's computerized system planning, analysis, programming, software and hardware maintenance and database management.</td></tr>
</table>

Main Department		Responsibilities
Fiber Business Division	DTY Sales Department	Internal and external sales of Nylon/Polyester Textured Yarn , planning and execution of marketing plans, market intelligence collection and analysis and new product business development.
	Filament Sales Department	Internal and external sales of Nylon/PET Filament, planning and execution of marketing plans, market intelligence collection and analysis and new product business development.
	DTY Plant I, II and III	Production, quality control and equipment maintenance of Nylon/ Polyester Textured Yarn.
	ATY Plant	Air-textured Yarn production, quality control and equipment maintenance.
	DTY R&D Section	Research, promotion and after-sales service of development plans for new Nylon/Polyester Textured Yarn products.
	Nylon Spinning Plant I and II	Production, quality control, equipment maintenance and after-sales service of Nylon/PET Filament.
Chemical Materials Business Division	Nylon Chips Sales Department	Internal and external sales of Nylon Chips, planning and execution of marketing plans, market intelligence collection and analysis and new product business development.
	Compounding Sales Department	Internal and external sales of PA Compound and other chemical materials, planning and execution of marketing plans, market intelligence collection and analysis and new product business development.
	Water Material Sales Department	Internal and external sales of Membrane, planning and execution of marketing plans, market intelligence collection and analysis and business development of new products.
	Nylon Polymerization Plant I, II and III	Production, quality control and after-sales service of Nylon Chips, recycled Chips and engineering plastics.
	Equipment Operation Team	Maintenance of equipment in Polymerization Plant I and II, Compounding Plant and R&D Center.
	Compounding Plant	Production and quality control of PA Compound and other chemical materials.
	Water Material Plant	Production and quality control of Membrane.
Engineering Division	Utility Section	Operation and maintenance of public facilities.
	Instruments and Electronics Section	Control circuit maintenance of instruments (meters) and production equipment.
	Engineering Section	Major and expansion project planning, outsourcing and progress control.
Innovation R&D Center		Developing production technologies for new products such as advanced engineering plastics, functional fibers and industrial fibers.
Plant Affair Section		Coordinating and managing personnel, general affairs, materials, storage and transportation in the plant area.
Labor Safety and Health Office		Planning and supervising the labor safety and health management of various departments.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

3.2.1.1 Shareholding and compensation

April 27, 2021

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note10)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	YEH, SOU-TSUN	Male	June 24, 2019	3 Years	April 28, 1998	19,692,945	3.22	19,692,945	3.70	10,579,054	1.99	0	0	Department of Accounting, National Chengchi University	Note 1	Director	YEH, TSUNG-HAO	Father and son	None
Director	R.O.C.	SU, PAT-HUANG	Male	June 24, 2019	3 Years	June 13, 2001	37,160,455	6.07	27,160,455	5.11	116,543	0.02	16,000,000	3.01	Master of Business Administration, National Chengchi University	Note 2	Representative of corporate director	SU,CING-YUAN	brothers	None
Director	R.O.C.	YI SHENG INVESTMENT CO., LTD.	None	June 24, 2019	3 Years	June 10, 2013	52,783,760	8.63	52,783,760	9.93	0	0	0	0	None	Supervisor Of LILY TEXTILE CO., LTD.	None	None	None	None
Representative of corporate director	R.O.C.	SU,CING-YUAN	Male	June 24, 2019	3 Years	June 13, 2001	Note 4	0	26,912,389	5.06	25,000	0	16,000,000	3.01	Department of Business Aministration, Tamkang University	Note 3	Director	SU, PAT-HUANG	brothers	None
Director	R.O.C.	YEH, TSUNG-HAO	Male	June 24, 2019	3 Years	June 15, 2007	12,492,312	2.04	12,492,312	2.35	48,033	0.01	0	0	Finance, University of Southern California	Note 5	Director	YEH, SOU-TSUN	Father and son	None
Director	R.O.C.	LIANG, LONG-SHIANG	Male	June 24, 2019	3 Years	June 24, 2019	145,468	0.02	145,468	0.03	0	0	0	0	Textile Engineering Section , National Taipei Institute of Technology	Minister of Fiber Business Division	None	None	None	None
Director	R.O.C.	SU, PO-CHEN	Male	June 24, 2019	3 Years	June 10, 2013	323,902	0.05	2,523,902	0.47	713,278	0.13	0	0	Department of Chemistry Tamkang University	Note 6	None	None	None	None
Director	R.O.C.	SU, EN-PING	Female	June 24, 2019	3 Years	June 27, 2016	512,000	0.08	759,000	0.14	0	0	0	0	Department of Chinese, National Tsing Hua University	Note 7	None	None	None	None
Independent director	R.O.C.	OU, YU-LUN	Male	June 24, 2019	3 Years	June 27, 2016	0	0	0	0	0	0	0	0	Faculty of Law, National Taiwan University	Note 8	None	None	None	None
Independent director	R.O.C.	YU, NENG-YUAN	Male	June 24, 2019	3 Years	June 24, 2019	0	0	0	0	0	0	0	0	Institute of Finance, National Chengchi University	None	None	None	None	None
Independent director	R.O.C.	LIN, KO-WU	Male	June 24, 2019	3 Years	June 24, 2019	0	0	0	0	0	0	0	0	Department of Accounting, National Chung Hsing University	Note 9	None	None	None	None

Note 1：Mr. YEH, SOU-TSUN presently acts as the Chairman of the company, presently and concurrently acts as the Director of Evertex Fabrinology Ltd., Representatives of corporate directors of Everest Textile CO.,LTD and Director of Eclat Textile CO., LTD. and Representatives of corporate directors of YEN HSING TEXTILE CO., LTD.

Note 2：Mr. SU, PAT-HUANG presently acts as the President of the company, presently and concurrently acts as the Supervisor of CHYANG SHENG DYEING & FINISHING CO., LTD., Representatives of corporate supervisor of LILY TEXTILE CO., LTD., Director of LILY Entertainment Corporation, Director of YI SHENG Investment CO., LTD., and Director of Qiang You Sheng Co., Ltd.

Note 3：Mr. SU,CING-YUAN, presently and concurrently acts as the Director and President of LILY TEXTILE CO., LTD., the chairman of YI SHENG Investment CO., LTD. and Supervisor of Qiang You Sheng Co., Ltd.

Note 4：Mr. SU,CING-YUAN is the representative of the legal person director YI SHENG INVESTMENT CO., LTD. so there is no need to indicate that he holds shares at the time of appointment.

Note 5：Mr. YEH, TSUNG-HAO, Deputy Director of Chemical Materials Business Division of the Company, and Director of LILY Entertainment Corporation.

Note 6：Mr. SU, PO-CHEN, Director and President of HONE-STRONG Industrial CO., LTD.

Note 7：Ms. SU, EN-PING, Representatives of corporate supervisor of LILY Entertainment Corporation

Note 8：Mr. OU, YU-LUN, presently and concurrently acts as the Independent director of LEALEA Enterprise CO., LTD.

Note 9：Mr. LIN, KO-WU, presently and concurrently acts as the Independent director of TAH HSIN Indrstrial CORP. and the Independent director of The Landis Taipei Hotel Co., Ltd.

Note 10：Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Table I：Major shareholders of the institutional directors (April 27, 2021)

Name of corporate director	Major shareholder	Shareholding ratio(%)
YI SHENG INVESTMENT CO., LTD.	SU, CING-YUAN	42.09
	SU, PAT-HUANG	42.09

3.2.1.2 Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
YEH, SOU-TSUN			✓		✓			✓	✓	✓	✓	✓		✓	✓	None
SU, PAT-HUANG			✓		✓				✓	✓	✓	✓		✓	✓	None
YEH, TSUNG-HAO			✓		✓			✓	✓	✓	✓	✓		✓	✓	None
LIANG, LONG-SHIANG			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	None
SU, PO-CHEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
SU, EN-PING			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
YI SHENG INVESTMENT CO., LTD. Representative：SU,CING-YUAN			✓	✓	✓				✓	✓	✓	✓		✓	✓	None
OU, YU-LUN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
YU, NENG-YUAN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
LIN, KO-WU		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note：Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person： not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, President, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses： not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Not been a person of any conditions defined in Article 30 of the Company Law.

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

April 27,2021

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	SU, PAT-HUANG	Male	May 27,2004	27,160,455	5.11	116,543	0.02	16,000,000	3.01	Master of Business Administration, National Chengchi University	Note 1	None	None	None	None
Senior Vice President	R.O.C.	LIANG, LONG-SHIANG	Male	January 1,2008	145,468	0.03	0	0	0	0	Textile Engineering Section, National Taipei Institute of Technology	None	None	None	None	None
Vice President of Chemical Materials Business Division	R.O.C.	YEH, TSUNG-HAO	Male	September 1,2007	12,492,312	2.35	48,033	0.01	0	0	Finance, University of Southern California	Director of LILY Entertainment Corporation	None	None	None	None
Vice President of Fiber Business Division	R.O.C.	YEH,PI-LU	Male	January 27,2014	635,159	0.12	942	0	0	0	Department of Business Administration of Vanung University	None	None	None	None	None
Assistant Vice President of Fiber Business Division	R.O.C.	LIN,CHING-CHUAN	Male	April 1,2021	50,000	0.01	0	0	0	0	Nanya Technical College Textile Faculty	None	None	None	None	None
Vice President of the Ministry of Works and Plant Management Office	R.O.C.	YOU,CONG-JHIH	Male	February 1,2018	46,113	0.01	0	0	0	0	Taoyuan Municipal Wu-Ling Senior High School	None	None	None	None	None
Plant manager of Nylon Polymerization Plant	R.O.C.	ZENG,YU-CI	Male	February 1,2018	35,927	0.01	0	0	0	0	PhD in Organic Polymer of National Taipei University of Technology	None	None	None	None	None
Vice President of General Management Division	R.O.C.	KUO,SHIH-CHENG	Male	March 1,2000	7,059	0	75	0	0	0	Department of Accounting of Feng Chia University	None	None	None	None	None
Vice President of Financial Department	R.O.C.	YEN,CHUNG-TZU	Female	July 1,1994	0	0	0	0	0	0	Accounting Statistics Section of National Taipei Commercial College	None	None	None	None	None
Assistant Vice President of Accounting Department	R.O.C.	CHEN,CI-HUANG	Male	March 1,2000	0	0	0	0	0	0	Finance and Taxation Section of National Taipei Commercial College	None	None	None	None	None
Assistant Vice President of R&D Center	R.O.C.	LIN,YU-TANG	Male	November 1,2020	60,185	0.01	0	0	0	0	Ph.D. Graduate School of Fiber and Polymer Engineering, National Taiwan University of Science and Technology	None	None	None	None	None

Note 1： Mr. SU, PAT-HUANG presently acts as the President of the company, presently and concurrently acts as the Supervisor of CHYANG SHENG DYEING & FINISHING CO., LTD., Representatives of corporate supervisor of LILY TEXTILE CO., LTD., Director of LILY Entertainment Corporation, Director of YI SHENG Investment CO., LTD., and Director of Qiang You Sheng Co., Ltd.

Note 2： Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

3.3 Remuneration paid to directors, supervisors, Presidents and Vice presidents in the most recent year：

3.3.1 Remuneration of general directors and independent directors (Individual disclosure of names and payment methods)

Unit：NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 6)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 6)		Remuneration from ventures other than subsidiaries or from the parent company (Note 7)
		Base Compensation (A) (Note 1)		Severance Pay (B)		Directors Compensation(C) (Note 2)		Allowances (D)(Note 3)				Salary, Bonuses, and Allowances (E) (Note 4)		Severance Pay (F)		Employee Compensation (G) (Note 5)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	YEH,SOU-TSUN	0	0	0	0	0	0	190	190	(0.4736)	(0.4736)	5.532	5.532	0	0	0	0	0	0	(14.2640)	(14.2640)	None
Director	SU, PAT-HUANG	0	0	0	0	0	0	180	180	(0.4487)	(0.4487)	4,453	4,453	0	0	0	0	0	0	(11.5493)	(11.5493)	None
Director	YEH, TSUNG-HAO	0	0	0	0	0	0	180	180	(0.4487)	(0.4487)	2,485	2,485	0	0	0	0	0	0	(6.6434)	(6.6434)	None
Director	LIANG, LONG-SHIANG	0	0	0	0	0	0	190	190	(0.4736)	(0.4736)	3,930	3,930	0	0	0	0	0	0	(10.2705)	(10.2705)	None
Director	SU, EN-PING	0	0	0	0	0	0	170	170	(0.4238)	(0.4238)	0	0	0	0	0	0	0	0	(0.4238)	(0.4238)	None
Director	SU, PO-CHEN	0	0	0	0	0	0	180	180	(0.4487)	(0.4487)	0	0	0	0	0	0	0	0	(0.4487)	(0.4487)	None
Director	SU,CING-YUAN, Representative of Yisheng Investment Co., Ltd.	0	0	0	0	0	0	190	190	(0.4736)	(0.4736)	0	0	0	0	0	0	0	0	(0.4736)	(0.4736)	None
Independent Director	OU, YU-LUN	0	0	0	0	0	0	440	440	(1.0968)	(1.0968)	0	0	0	0	0	0	0	0	(1.0968)	(1.0968)	None
Independent Director	LIN, KO-WU	0	0	0	0	0	0	440	440	(1.0968)	(1.0968)	0	0	0	0	0	0	0	0	(1.0968)	(1.0968)	None
Independent Director	YU, NENG-YUAN	0	0	0	0	0	0	440	440	(1.0968)	(1.0968)	0	0	0	0	0	0	0	0	(1.0968)	(1.0968)	None
	1. Please describe the policy, system, standard and structure for the remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration：None. 2. Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) of the Company in the most recent fiscal year： None.																					

Note: The chairman of the board has a driver, and the annual remuneration in 2020 is NT$672,000.

Note 1：Refers to the remuneration of directors for the most recent year (including the directors' salary, allowance, severance pay, various bonuses, rewards etc.).

Note 2：The amount of directors' remuneration appropriated in the most recent year and approved by the board of directors.

Note 3：Refers to the relevant business execution expense of directors in the most recent year (including transportation fee, special allowances, various subsidies, accommodation, company vehicles and other physical offers etc.) When there are expenses for housing, car or other transportation tools or specialized personal expense, the asset nature and cost provided shall be disclosed, and the rent shall be calculated according to the actual or fair market price, gasoline fee and other payments. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not counted as the remuneration.

Note 4：Refers to the expense for the compensation, including salary, allowance, severance pay, various bonuses, rewards, transportation fee, special allowances, various subsidies, accommodation, company car etc. and physical offers etc., collected by directors concurrently acting as employees (including adjunct President, Vice President, other Managers and employees). When there are expenses for housing, car or other transportation tools or specialized personal expense, the asset nature and cost provided shall be disclosed, and the rent shall be calculated according to the actual or fair market price, gasoline fee and other payments. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not counted as the remuneration. In addition, for the salary expense recognized according to IFRS 2 "Share-Based Payment", including the employee stock warrants, new restricted employee shares and participation in subscription of shares for capital increase by cash, it shall also be counted as part of the remuneration.

Note 5：Refers to where directors concurrently acting as employees (including adjunct President, Vice President, other Managers and employees) obtain employees' remuneration (including stocks and cash), the employees' remuneration amount appropriated in the most recent year based on the approval of the board of directors shall be disclosed.

Note 6：Net income refers to the net income of an entity or individual financial statements of the most recent year.

Note 7：a. This field shall clearly indicate the relevant compensation amount received by the directors of the Company from non-consolidated affiliates.

b.The compensation refers to the remuneration and salary received by directors acting as directors, supervisors or managers of investees other than subsidiaries (including salaries of employees, directors and supervisors) and business execution expenses etc.

3.3.2 Remuneration of Supervisors: Not applicable. The Company had replace supervisors with audit committee from June 26, 2019.

3.3.3 Remuneration of the President and Vice President (Individual disclosure of names and payment methods)

Title	Name	Salary(A) (Note 1)		Severance Pay (B)		Bonuses and Allowances (C) (Note 2)		Employee Compensation (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)(Note 4)		Remuneration from ventures other than subsidiaries or from the parent company (Note 5)
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	SU, PAT-HUANG	2,874	2,874	0	0	1,579	1,579	0	0	0	0	(11.1006)	(11.1006)	0
Senior Vice President	LIANG, LONG-SHIANG	2,127	2,127	0	0	1,803	1,803	0	0	0	0	(9.7968)	(9.7943)	0
Vice President	YEH, TSUNG-HAO	1,728	1,728	0	0	757	757	0	0	0	0	(6.1947)	(6.1947)	0
Vice President	YEH,PI-LU	1,883	1,883	0	0	1,715	1,715	0	0	0	0	(8.9692)	(8.9692)	0
Vice President	KUO,SHIH-CHENG	1,825	1,825	0	0	1,090	1,090	0	0	0	0	(7.2666)	(7.2666)	0
Vice President	YU,TSUNG-CHIH	1,717	1,717	0	0	1,285	1,285	0	0	0	0	(7.4835)	(7.4835)	0
Vice President	YEN,CHUNG-TZU	1,490	1,490	0	0	924	924	0	0	0	0	(6.0177)	(6.0152)	0

Note：LIANG LONG-SHIANG , YEH TSUNG-HAO, KUO SHIH-CHENG, YU TSUNG-CHIH, YEH PI-LU and YEN CHUNG-TZU were promoted to vice presidents on November 1, 2020.

Note 1：Refers to the salary, allowance, severance pay for the President and Vice Presidents in the most recent year.

Note 2：Refers to various bonuses, rewards, transportation fees, special allowances, various subsidies, accommodation, company car and physical offers etc. as well as other remuneration amounts. When there are expenses for housing, car or other transportation tools or specialized personal expense, the asset nature and cost provided shall be disclosed, and the rent shall be calculated according to the actual or fair market price, gasoline fee and other payments. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not counted as the remuneration. In addition, for the salary expense recognized according to IFRS 2 "Share-Based Payment", including the employee stock warrants, new restricted employee shares and participation in subscription of shares for capital increase by cash, it shall also be counted as part of the remuneration.

Note 3：The employees' remuneration (including stocks and cash) appropriation for President and Vice Presidents approved by the board of directors for the most recent year shall be disclosed.

Note 4：The net income refers to the net income of the most recent year. Where the IFRS standard is adopted, the net income refers.

Note 5：The compensation refers to the remuneration and salary received by the President and Vice President acting as directors, supervisors or managers at investees other than subsidiaries (including salaries of employees, directors and supervisors) and business execution expenses, etc.

3.3.4 Managerial officers with the top five highest remuneration amounts in a TWSE/TPEx-listed company (Individual disclosure of names and payment methods) (Note 1)

Unit： NT$ thousands

Title	Name	Salary(A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 6)		Remuneration from ventures other than subsidiaries or from the parent company (Note 7)
		The company	Companies in the consolidated financial statements (Note5)	The company	Companies in the consolidated financial statements (Note5)	The company	Companies in the consolidated financial statements (Note5)	The company		Companies in the consolidated financial statements (Note 5)		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	SU, PAT-HUANG	2,874	2,874	0	0	1,579	1,579	0	0	0	0	(11.1006)	(11.1006)	None
Senior Vice President	LIANG, LONG-SHIANG	2,127	2,127	0	0	1,803	1,803	0	0	0	0	(9.7968)	(9.7943)	None
Vice President	YEH,PI-LU	1,883	1,883	0	0	1,715	1,715	0	0	0	0	(8.9692)	(8.9692)	None
Vice President	YU,TSUNG-CHIH	1,717	1,717	0	0	1,285	1,285	0	0	0	0	(7.4835)	(7.4835)	None
Vice President	KUO,SHIH-CHENG	1,825	1,825	0	0	1,090	1,090	0	0	0	0	(7.2666)	(7.2666)	None

Note: President has a driver, and the annual remuneration for the year 2020 is NT$103,516. (Resigned on March 10, 2020.)

Note 1：Managerial officers with the top five highest remuneration amounts refers to managers at the Company, in which the standard for determining managers is the applicable scope set forth in Order Tai-Cai-Zheng-San-Zi No. 0920001301 from the former Securities and Futures Commission, Ministry of Finance dated March 27, 2003. The top five highest remuneration amounts are determined based on the sum of salaries, severance pay, bonuses and allowances, and employee compensation received by a managerial officer from all companies in the consolidated financial statements (i.e., A+B+C+D).

Note 2：Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.

Note 3：Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not calculating as remuneration. The salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock at cash capital increase, shall also be calculated as remuneration.

Note 4：Refers to the amount of employee compensation (including stock and cash) approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year. If the amount of employee compensation cannot be estimated this year, the proposed amount should be calculated based on the actual amount and ratio distributed last year.

Note 5：The total remuneration paid by all companies in the consolidated statements (including the Company) to managerial officers with the top five highest remuneration amounts must be disclosed.

Note 6：The net income after-tax refers to the net income after-tax in the standalone financial statements for the most recent year.

Note 7：a. Specify the amount of remuneration received by managerial officers with the top five remuneration amounts from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by managerial officers with the top five remuneration amounts who are serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

3.3.5 Name of managers with distribution of employees' remuneration and distribution status：

	Title	Name	Stock amount	Cash amount	Total	Proportion of total amount to net profit after tax (%)
Manager	President	SU, PAT-HUANG	0	0	0	0
	Senior Vice President	LIANG, LONG-SHIANG				
	Vice President of Chemical Materials Business Division	YEH, TSUNG-HAO				
	Vice President of Fiber Business Division	YE, PI-LU				
	Assistant Vice President of Fiber Business Division	LIN,CHING-CHUAN				
	Vice president of the Ministry of Works and Plant Management Office	YOU,CONG-JHIH				
	Plant manager of Nylon Polymerization Plant	ZENG,YU-CI				
	Vice President of General Management Division	KUO, SHIH-CHENG				
	Vice President of Financial Department	YEN, CHUNG-TZU				
	Assistant Vice President of Accounting Department	CHEN,CI-HUANG				
	Assistant Vice President of R&D Center	LIN, YU-TANG				

3.3.6 Separately compare and describe total remuneration, as a percentage of net income stated in the Company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, president, and assistant presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure：

year / Title	Proportion of total remuneration to net profit after tax			
	2019	2019 Consolidated	2020	2020 Consolidated
Director	(6.66%)	(6.66%)	(77.10%)	(77.10%)
Supervisor				
President and Vice president				

Note： The remuneration or salary of the directors, supervisors and (deputy) President is based on the distribution and salary system standard of the company's articles of association. The salary structure includes the salary, job allowance, transportation allowance, performance bonus, etc., and is based on the company's annual profitability , With reference to the difference in their position, seniority and work performance, and give unequal year-end bonuses.

3.4 Implementation of Corporate Governance

3.4.1 Operations of the Board of Directors

3.4.1.1 Attendance of Directors at Board Meetings

A total of 7 (A) meetings in 2020 of the Board of Directors were held in the previous period. The attendance of director were as follows：

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate(%) (B/A)	Remarks
Chairman	YEH, SOU-TSUN	7	0	100.0%	The company selected ten directors (including three independent directors) at the 108th shareholders' meeting after completing the 18th director re-election procedure, and established an audit committee in accordance with Article 14 of the Securities Exchange Law. The audit committee is composed of all independent directors. The company has established an audit committee to replace the supervisor on June 24, 2019.
Director	SU, PAT-HUANG	6	1	85.7%	
Director	SU, CING-YUAN	7	0	100.0%	
Director	YEH, TSUNG-HAO	6	1	85.7%	
Director	SU, PO-CHEN	6	1	85.7%	
Director	SU, EN-PING	5	2	71.4%	
Director	LIANG, LONG-SHIANG	7	0	100.0%	
Independent director	OU, YU-LUN	7	0	100.0%	
Independent director	YU, NENG-YUAN	7	0	100.0%	
Independent director	LIN, KO-WU	7	0	100.0%	

Other mentionable items：

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified：

   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.：

   Please refer to the important resolutions of the board of directors on pages 67-69.

   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.：

   The independent directors of the company agree with the major proposals of the board of directors, without any objections or reservations.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified：None.

3. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations."

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation ethod	Evaluation items
Execute once a year	January 1, 2020 to December 31 2020	A.Board of Directors B.Individual directors	Internal self-evaluation by the board of directors Board member self-evaluation	A. Board of Directors 1. Participation in the company's operations 2. Improve the quality of board decisions 3. Board composition and structure 4. Director selection and continuing education 5. Internal control B. Individual directors 1. Master the company's goals and tasks 2. Awareness of Directors' Responsibilities 3. The degree of participation in the company's operations 4. Internal relationship management and communication 5. Professional and continuing education of directors 6. Internal control

4. Measures taken to strengthen the functionality of the board： The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.：

4.1 In order to implement corporate governance and enhance the functions of the company's board of directors, establish performance targets to enhance the operational efficiency of the board of directors,
The "Board Performance Evaluation Method" was formulated on January 10, 2020, and the overall board of directors and individual directors are regularly evaluated annually in accordance with this method. The "Board Performance Evaluation" has been implemented since 2020.

4.2 The company's 2020 annual evaluation results were submitted to the board of directors on March 26, 2021. The relevant overall evaluation results are as follows:

Assess Target	Comprehensive evaluation results
Board of Directors as a whole	90.91%
Individual directors	86.17%

4.3 Encourage the directors to attend the meeting to discuss and speak more and put forward more professional opinions and suggestions on the company, so as to enhance the company's business decision-making with more considerations and development.

4.4The board of directors of the company implements the responsibility of management in accordance with the norms of corporate governance, participates in the operation of the company through sufficient discussion and communication, and reaches resolutions based on the best interests of the company. All directors (including independent directors) are positive about the efficiency and effectiveness of the board's operations The evaluation.

3.4.1.2 The board of directors met 7 times in 2020, and the supervisors were present as follows:
Not applicable, the company has set up an audit committee to replace the supervisor on June 24, 2019.

3.4.1.3 The Board of Directors Appraisal and Implementation：

In accordance with the Financial Regulatory Commission's Letter No. 1070121469 dated December 25, 2018, the listed company should conduct board evaluations every year starting from the year 2020, and complete the declaration of performance evaluation results before the end of the first quarter of the following year.

The company's board of directors approved the "Board Performance Evaluation Measures" on January 10, 2020, and began performance evaluation in 2020. The results of the performance evaluation have been reported to the board of directors on March 26, 2021, and on March 29, 2021. Complete the declaration process on the same day.

3.4.2 Audit Committee Implementation Status Information

3.4.2.1 There are 3 members on the Audit Committee of the company (all are independent directors).

3.4.2.2 Term of the first committee：June 24, 2019 to June 23, 2022.

2020 year to May 7, 2021 the Audit Committee has held 7 (A) meetings, and the qualifications of members and meeting attendance status are as follows：

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks	
					Number of meetings in 2020	Number of meetings in 2021
Convener	OU, YU-LUN	7	0	100%	5	2
Independent director	YU, NENG-YUAN	7	0	100%	5	2
Independent director	LIN, KO-WU	7	0	100%	5	2

Other matters to be recorded ：

(1) The key annual work of the Audit Committee

- Formulate or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- Assess the effectiveness of the internal control system.
- Formulate or amend the handling procedures of major financial business activities, including acquisition or disposal of assets, engagement in derivative transactions, extending loans to others, and providing endorsements or guarantees for others in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.
- Matters involving the directors' own interests.
- Major asset or derivative transactions.
- Significant loan extensions, endorsements or guarantees.
- Raising, issuing or private placement of equity securities.
- Appointment, dismissal or remuneration of certified public accountants.
- Appointment, dismissal or remuneration of financial, accounting or internal audit supervisors.
- The annual financial report signed or stamped by the chairman, manager and accounting supervisor, and the second quarter financial report subject to review by accountants.
- Other major matters stipulated by the company or competent authorities.

(2) If the operation of the audit committee is in one of the following circumstances, the date and period of the board of directors, the content of the proposal, the resolution of the audit committee, and the company's handling of the audit committee’s opinions should be stated：

● Resolutions related to Article 14-5 of Securities and Exchang Act：

Audit Committee				Report to the board meeting		
Meeting date	Proposal content	Securities and Exchange Act Article 14-5 listed items	Resolution result	Date	Period	Handling of the opinions of the Audit Committee
January 10, 2020	Amendment to the company's internal control system.	✓	All members attended and agreed.	January 10, 2020	1st session of the 18th term	Passed without objection.
March 20, 2020	●Review of the 2019 business report. ●Review of the 2019 individual and consolidated financial reports. ●Review of the 2019 profit and loss compensation. ●Review of the 2019 assessment of the independence of the certification accountants and the appointment and remuneration of accountants in 2020. ●Review of the 2019 internal control statement. ●Amendment to the company’s internal control system.	✓ ✓ ✓ ✓ ✓ ✓	All members attended and agreed.	March 20, 2020	2nd session of the 18th term	Passed without objection.
April 30, 2020	Amendment to the company's internal control system.	✓	All members attended and agreed.	April 30, 2020	3rd session of the 18th term	Passed without objection.
August 7, 2020	Amendment to the company's internal control system.	✓	All members attended and agreed.	August 7, 2020	4th session of the 18th term	Passed without objection.
November 6, 2020	Amendment to the company's internal control system.	✓	All members attended and agreed.	November 6, 2020	6th session of the 18th term	Passed without objection.
March 26, 2021	●Review of the 2020 business report. ●Review of the 2020 individual and consolidated financial reports. ●Review of the 2020 Profit Distribution . ●Review of the 2020 assessment of the independence of the certification accountants and the appointment and remuneration of accountants in 2021. ●Review of the 2020 internal control statement. ●Amendment to the company’s internal control system.	✓ ✓ ✓ ✓ ✓ ✓	All members attended and agreed.	March 26, 2021	8nd session of the 18th term	Passed without objection.

● Other matters that have not been approved by the Audit Committee but have been agreed upon by more than two-thirds of all directors：

The company does not have this situation.

(3) Independent directors' avoidance of proposals related to their own interests and participation in voting：

- Reminder of avoidance of interests：
  Before each audit committee meeting, the organizing unit will announce the relevant regulations on avoidance of interests to the independent directors.
- 2020 year to May 7, 2021, the execution of avoidance of interests of independent directors：None.

(4) Status of communication between independent directors and the internal audit upervisor and the accountants：

- Independent directors communicated with the internal auditing officer separately (at least once a year)

Audit Committee (1st term)	Communication focus	Attendees	Communicate results
Jan. 10, 2020	●Internal audit business report ●Amendment to the company's internal control system.	Each meeting Three independent directors OU, YU-LUN YU, NENG-YUAN LIN, KO-WO Full attendance.	The audit supervisor attended all the meetings to report as a non-voting delegate, and completed the implementation, reporting and tracking of the instructions of the independent directors. The independent directors had no special suggestions.
Mar. 20, 2020	●Internal audit business report. ●internal control system statement.2019 ●Amendment to the company's internal control system.		
Apr. 30, 2020	Internal audit business report.		
Aug. 7, 2020	Internal audit business report.		
Nov. 6, 2020	Internal audit business report.		
Mar. 26, 2021	●Internal audit business report. ●internal control system statement 2020. ●Amendment to the company's internal control system.		

- Independent directors communicated with the certified public accountant separately (at least once a year)

Corporate governance communication meeting	Communication focus	Attendees		Communicate results
		Certified Public Accountants	Independent directors	
March 20, 2020	●Status of the company's self-compiled financial report. ●Audit status of the company's 2020 individual financial report and consolidated financial report.	Hsiao, Ying-Chia	Independent directors： OU, YU-LUN YU, ENG-YUAN LIN, KO-WU	The accountants personally attended the audit committee meeting and communicated on and explained the issues raised by the independent directors.
March 26, 2021	●Description of Key Audit Matters ("KAM") ●Overall summary of audit results ●Type of audit opinion ●Materiality and uncorrected misstatement in the current period ●Significant deficiency in internal control ●Other communication matters	Hsiao, Ying-Chia	Independent directors： OU, YU-LUN YU, ENG-YUAN LIN, KO-WU	After the certified public accountant separately communicating with and descripting the content to the independent directors, each independent director had no special suggestions.

3.4.3 Corporate governance Implementation status and deviation from“ the Corporate overnance Best-Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		Our company adopted its "Corporate Governance Best Practice Principles" by resolution of the board meeting on March 20, 2015, and revised it by resolution of the board meeting on March 26, 2021. The Principles are disclosed on the information reporting website designated by the competent authority.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) Our company has set up a spokesperson and deputy spokesperson system and an "Stakeholder Area " on the corporate website to properly handle shareholder suggestions, doubts and disputes. (Company Website\Corporate Sustainability\Interested Party Area\Opinion Survey and Complaint)	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) Our company has entrusted a professional stock affairs agency to be responsible for, and cooperate with our company's financial department to manage related matters.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) Our company has formulated the management and control mechanism of "Related Party Transaction Procedures" and "Operation Risk Management Procedures" to protect investors and safeguard the rights and interests of our company.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) Our company has formulated the management system of "Management Regulations for Preventing Insider Trading" to protect investors and safeguard the rights and interests of our company.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The directors of our company have diverse backgrounds and rich experience. Each director has detailed academic experience on page 19 of this annual report. The current members include 7 directors and 3 independent directors.	None
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) Our company set up its Compensation Committee on December 23, 2011, and the Audit Committee on June 24, 2019. Currently, there are no other functional committees.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		(3) Our company formulated its “Performance Evaluation Measures for the Board of Directors” on January 10, 2020, and started conducting performance evaluation for the board of directors since 2020. The evaluation results have been submitted to the board meeting on March 26, 2021 for approval, and reported to the Stock Exchange on March 29.	None
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) Our company regularly reports the independent assessment results of the independent auditor to the board meeting in March each year.	None
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓ ✓		(1) On May 7, 2021, the company set up the position of Corporate Governance Director which was assumed by the Vice President of the Finance Department. Two corporate governance staff were also assigned to be jointly responsible for affairs related to corporate governance. (2) Our company has a "Board Secretary Office" in its organizational structure. Meanwhile, the "Corporate Governance Office" is set up in the organizational structure under the board of directors and	None None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			parallel to the Audit Office to strengthen corporate governance. In addition, the Finance Department assists the directors in performing their duties and complying with relevant laws and regulations. For the responsibilities of the units above, please refer to page 9 of the annual report.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		Our company has built an "Stakeholder Area" on its corporate website (Company Website\Corporate Sustainability\Interested Party Area\Opinion Survey and Complaint) for employees, investors, creditors, customers, suppliers, contractors, subsidiaries, peers, residents and government agencies to inquire and express their opinions, in order to provide a proper response mechanism.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		Our company has appointed the stock affairs agency department of Capital Securities Co., Ltd. for the work.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) Our company’s website www.zigsheng.com has "Corporate Governance" and "Investor Zone" under "Stakeholders" to update financial, business and corporate governance information on a regular basis.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) Our company has a spokesperson and deputy spokesperson system, which publishes company-related financial and business information externally, and places the information on briefings to legal persons on our company website.	None
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		(3) At present, the company only publishes its quarterly financial reports and monthly revenue before the specified deadlines in accordance with relevant laws and regulations. There has been no early announcement and declaration, but this item has been listed by the company as a goal for reinforcement.	None
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Our company has formulated various personnel regulations in accordance with relevant laws and regulations to protect the rights and interests of employees, and implemented various environmental protection policies to enhance the awareness of environmental protection and social responsibility of all employees, and ensure that our company's products comply with environmental protection regulations.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
	✓		(2) A "Corporate Governance Area" is built on the corporate website to provide stakeholder with an understanding of our company's various internal control systems and management practices.	None
	✓		(3) For details of directors' further training related to corporate governance, see page 37~38.	None
	✓		(4) For details of managers' further training related to corporate governance, see page 38.	None
	✓		(5) Our company maintains a smooth communication channel with customers, and the execution status is good.	None
	✓		(6) Our company has purchased liability insurance for its directors, supervisors and important staff since 2016 for their liabilities with their business performance scope; the insured amount is US$3 million, and the latest insurance period is from July 1, 2020 to July 1, 2021.	None
	✓		(7) Our company abides by the law and attaches importance to labor-management relations to provide employment opportunities to fulfill its social responsibility and social welfare obligation.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures： (1) Our company has participated in various corporate governance evaluations in accordance with the regulations of the competent authority since 2014. The main improvements of the 2020 corporate governance evaluation results are as follows： In 2020, our company disclosed on its corporate website the identity of identified stakeholder, issues of concern, communication channels and response methods. (2) The priority items for improvement planned for 2021 are as follows： Conducting ethical corporate management training and promotion, and strengthening the company's website and information disclosure, so as to improve the corporate governance evaluation score in the hope of being promoted from the fifth level to the top.				

3.4.3.1 "For details of directors' further training related to corporate governance in 2020"：

Ttitle	Name	Date of study	Organizer	Course title	Training hours
Chairman	YEH, SOU-TSUN	July 22, 2020	Taiwan Academy of Banking and Finance	Shaping A Corporate Governance Culture	3
		August 6, 2020	Accounting Research and Development Foundation of the Republic of China	Seminar on Board Operation Practice and Corporate Governance	3
		November 5, 2020	Accounting Research and Development Foundation of the Republic of China	Economic Espionage Crime and Legal Liability and Case Analysis of Trade Secrets Act.	3
		December 9, 2020	Taiwan Academy of Banking and Finance	Board of Directors and Supervisors Operation Practice and Corporate Governance	3
Director	SU, PAT-HUANG	August 5, 2020	Securities and Futures Institute	Discussion on Intellectual Property Rights – Starting with Business Secrets	3
		September 15, 2020	Securities and Futures Institute	Analysis and Practice of International Taxation Trends under the New Version of Corporate Governance Blueprint	3

Director	SU, PO-CHEN	August 27, 2020	Securities and Futures Institute	Key 5G Technologies and Application Opportunities	3
		September 17, 2020	Securities and Futures Institute	Analysis and Case Study of Unconventional Transactions of Directors and Supervisors	3
Director	YEH, TSUNG-HAO	August 5, 2020	Securities and Futures Institute	Discussion on Intellectual Property Rights – Starting with Business Secrets	3
		August 27, 2020	Securities and Futures Institute	Key 5G Technologies and Application Opportunities	3
Director	LIANG, LONG-SHIANG	September 18, 2020	Securities and Futures Institute	Analysis and Decision-making Application of Corporate Financial Information	3
		November 18, 2020	Securities and Futures Institute	Discussion on the Compensation of Employees and Directors – Starting with the Amendment to Article 14 of the Securities and Exchange Act	3
Director	SU, EN-PING	April 28~29, 2020	Securities and Futures Institute	Practical Workshop on Directors, Supervisors (Including Independent Directors) and Corporate Governance Supervisors	12
Representatives of corporate directors	SU,CING-YUAN	November 12, 2020	Securities and Futures Institute	Discussion on Information Security Governance Faced by Enterprises - Centered on Legal Practice	3
		November 12, 2020	Securities and Futures Institute	Discussion on Anti-Money Laundering and Countering Terrorism Financing	3
Independent Director	LIN, KO-WU	July 15, 2020	Securities and Futures Institute	Relevant Norms and Operation Practice of the Audit Committee	3
		September 21, 2020	Taiwan Stock Exchange	Summit Forum of "Corporate Governance 3.0 - Sustainable Development Blueprint" for Listed Companies	3
		October 13, 2020	Securities and Futures Institute	Impact of the Latest Tax Law Changes on Business Operations and Counter Measures	3
Independent Director	YU, NENG-YUAN	August 11, 2020	Securities and Futures Institute	Functions of the Board of Directors - from the Aspect of Prevention of Corporate Fraud	3
		August 21, 2020	Securities and Futures Institute	Early Warnings and Type Analysis of Corporate Financial Crisis	3

3.4.3.2 “For details of managers’ further training related to corporate governance in 2020”

Title	Name	Date of study	Organizer	Course title	Training hours
Vice President of General Management Division	KUO,SHIH-CHENG	July 17, 2020	Accounting Research and Development Foundation of the Republic of China	Investigation of "Fund Flow" of Financial Report Fraud Cases and Discussion of Related Legal Liability Cases	3
		August 20, 2020	Accounting Research and Development Foundation of the Republic of China	Common Corporate Governance Deficiencies of Enterprises and Analysis of Related Laws and Regulations	3
		September 14, 2020	Accounting Research and Development Foundation of the Republic of China	Case Analysis of False Financial Reports and How to Find Key Information in Financial Reports	3
		November 11, 2020	Accounting Research and Development Foundation of the Republic of China	Application of "Commercial Arbitration" to Enterprises and Analysis of Legal Liabilities	3
Assistant Vice President of Accounting Department.	CHEN,CI-HUANG	August 24~25, 2020	Accounting Research and Development Foundation of the Republic of China	Continuing Education for Accounting Supervisors	12

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

3.4.4.1 The company established the Compensation Committee on December 23, 2011 and appointed three committee members.

3.4.4.2 Effective date of the 4th-term Compensation Committee： June 24, 2019 to June 23, 2022.

A. Information of Remuneration Committee members：

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Independent director	OU, YU-LUN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent director	YU, NENG-YUAN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director	LIN, KO-WU		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1：Please state whether the person is a Director, an Independent Director, or other in the "Status"column.

Note 2：Check in each box with "✓", if the member meets one of the following qualification requirements or independence criterias.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person： not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, President, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses： not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been a person of any conditions defined in Article 30 of the Company Law.

B. Information of Operation Status of Remuneration Committee.

B1. There are 3 members on the Compensation Committee of the company.

B2. The term of office of the 4th-term committee：June 24, 2019 to June 23, 2022 As of The current Compensation Committee (as of March 8, 2021 has met 4 times. (A)) and member qualifications and attendance are as follows：

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	OU, YU-LUN	4	0	100%	None
Committee Member	YU, NENG-YUAN	4	0	100%	None
Committee Member	LIN, KO-WU	4	0	100%	None

B3.Other matters to be recorded

B3.1 If the board meeting does not adopt or amend the recommendations of the Compensation Committee：None.

B3.2 If the members have objections to or reservations on the resolutions of the Compensation Committee, with records or written statements in place：None.

B3.3 The company’s Compensation Committee shall meet at least twice a year and may hold meetings at any time as needed. Its member function is to make recommendations on the salary distribution of company directors and managers from a professional and objective viewpoint, with the salary system, structure and operating performance in compliance with relevant laws and regulations; such recommendations, which shall be submitted to the board meeting for discussion, is very helpful to improve the company’s corporate governance.

B3.4 The responsibilities of the company's Compensation Committee, the principle of performing its responsibilities, and the current compensation structure are as follows：

B3.4.1 Responsibilities

(1)Review this regulation regularly and propose amendments.

(2)Formulate and regularly review the company's directors and managers' annual and long-term performance targets and compensation policies, systems, standards and structures.

(3)Regularly evaluate the compensation of the company's directors and managers.

B3.4.2 When the company’s Compensation Committee performs the responsibilities above, the following principles shall be followed：

(1)Ensure that the company's compensation arrangements comply with relevant laws and regulations and can attract outstanding talents.

(2)For the performance evaluation and compensation of directors and managers, the normal compensation level of the industry should be referred to, while taking into consideration the time devoted, the responsibilities of the individual, the achievement of personal target, the performance in other positions, the compensation of position holders on the same level in the company in recent years, as well as the achievement of the company's short-term and long-term business goals, the company's financial status, etc. to evaluate the rationality of the relationships between personal performance and the company’s operating performance and future risks.

(3)Directors and managers should not be guided to engage in behavior beyond the company's risk appetite for the pursuit of compensation.

(4)The ratio of short-term performance growth dividends for directors and senior managers and the payment time of some variable salary compensation should be determined by considering the characteristics of the industry and the nature of the company's business.

(5)The members of this committee shall not participate in the discussion and voting on their personal compensation decisions.

B3.4.3 Current compensation structure

(1)The compensation of the directors and supervisors of the company includes travel fee, attendance fee, remuneration for directors and supervisors, and compensation for their part-time employee work.

(2)The current compensation of the company’s managers includes fixed monthly salary, year-end bonus, employee remuneration and supervisor bonus.

B4. In the term of the Compensation Committee (as of March 8, 2021), the company's handling of opinions of the Compensation Committee was all submitted to the board meeting for discussion. The highlights and resolutions of each meeting are as follows：

Compensation Committee (4th term)				Report to the board meeting (18th session)		
Proposal content	Date	Session No.	Resolution result	Date	Session No.	Handling of opinions of the Compensation Committee
● Review the 2019 year-end bonus and supervisor bonus for the company's managerial officers and directors who concurrently serve as employees. ● Review the 2020 director compensation. ● Review the 2020 managerial officers compensation.	December 23, 2019	1st session	All members attended and agreed.	January 10, 2020	1st session	Passed without objection.
● Review of the company's 2019 employee remuneration for managerial officers and director remuneration.	March 9, 2020	2nd session	All members attended and agreed.	March 20, 2020	2nd session	Passed without objection.
● Review of the 2020 year-end bonus and supervisor bonus for the company's managerial officers and directors who concurrently serve as employees. ● Review the 2021 director compensation. ● Review the 2021 managerial officers compensation.	December 17, 2020	3rd session	All members attended and agreed.	January 8, 2021	7rd session	Passed without objection.
● Review of the company's 2020 employee remuneration for managerial officers and director remuneration.	March 8, 2021	4nd session	All members attended and agreed.	March 8, 2021	8nd session	Passed without objection.

3.4.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the company assess ESG risks Assistant Vice Presidentd with its operations based on the principle of materiality, and establish related risk management policies or strategies? [3]	✓		Our company has established operational risk management procedures to conduct risk assessments and formulated relevant risk management strategies for environmental, social and corporate governance issues related to its operations. (Please refer to the attached description of the "Risk Management Policy" on page 53)	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The President's Office of our company is responsible for the establishment and maintenance of the social responsibility management system, assistance in the formulation (revision) of corporate social responsibility policies, proposal and assistance in the implementation of relevant management policies and specific plans and annual compilation of relevant information into a "Corporate Social Responsibility Report", and reporting to the top management and the board of directors once a year on the performance of the current year and the goals for the next year.	None
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(1) Our company has obtained ISO 14001 environmental management system certification in 2014 and is regularly verified for the certification.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) ①Environment friendly renewable products In order to implement the environmental policy of resource recycling and reuse, our company produces high-quality recycled products that meet international environment standards. There are seven production units for four products, including Nylon chip, Nylon yarn, Draw Textured yarn, and Air-textured yarn, and our company continues to obtain third-party certification to do its part for environmental protection. In response to the development trend of environment friendly products, our company started to expand recycled nylon products (through the recycling of spinning mills’ own waste yarn and the acquisition of discarded fishing nets through the regeneration process and the integrated spinning process) in order to improve the utilization efficiency of various resources. ②Green products and services	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Our company establishes the annual recycling plan target in accordance with the environmental policy every year. For the packaging materials used for domestic products, it selects those that can be recycled and reused and account for the bulk (FIBC Bags, Holds Cardboard and Paper Bobbin) for recycling management, and counts the number of recycled packaging materials, the recycling rate and the achievement rate on a monthly basis, and reports the effectiveness of the implementation to the senior management in the quarterly business meeting.	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		(3) ① Energy management Our company will continue to promote energy conservation to continue reducing energy consumption and reduce electricity consumption by at least 1% every year. Solar power generation will be added to increase the use of renewable energy. ② Greenhouse gas emissions Our company will continue to attach importance to the issues of climate change and global warming, and comply with relevant regulations, gradually change the heating medium boiler	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		from oil to natural gas to reduce greenhouse gas emissions for continuous improvement. (4) Our company has introduced the ISO 14064-1 greenhouse gas management system in 2014 to implement greenhouse gas inventory, and formulate our company’s energy-saving, carbon-reduction and greenhouse gas reduction strategy.	None
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1)Our company has formulated a "Corporate Social Responsibility Management System", which includes labor human rights policies and specific labor human rights measures (refer to 9.2.1 Labor and Human Rights on page 14).	None
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(2) Please refer to the description of the employee benefit system in "Labor-Management Relations" on page 108.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) Please refer to the description of various employee rights protection measures in "Labor-Management Relations" on page 111.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company provide its employees with career development and training sessions?	✓		(4) In order to cultivate the knowledge and skills of our company's employees and enable them to give full play to their potential in order to improve work quality and performance, there are relevant training methods, personnel qualification management measures and other related measures.	None
(5)Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		(5) Our company abides by relevant laws and regulations and international standards.	None
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		(6) ① Our company has formulated the supplier management policy as follows： (A) Quality assurance：Through supplier interviews, on-site evaluations and market data collection, our company can learn about the supplier's quality. (B) Quantity stabilization：Raw materials are supplied by multiple manufacturers to maintain supply flexibility and quantity stability. (C) Short lead time：Choosing local and creditable	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			suppliers to ensure punctual delivery and shorten the lead time. (D) Price：More flexible procurement skills and the ability to respond to changes in market prices more quickly are required for purchases to reduce costs under the premise of meeting quality standards. (E) Expectation：When selecting suppliers, suppliers are required to pay attention to the following issues： ● Human rights and social impact. ● Environmental protection：Complying with all applicable environmental protection laws and regulations, ensuring the safe discharge of waste, waste gas and sewage, minimizing the use of non-renewable resources, using all resources efficiently, and reducing the impact on the environment. ● Personnel safety and hygiene： Providing employee with a safe working environment, appropriate training and protection for hazardous machinery and equipment, and complying with relevant	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			labor health and safety regulations. (F) Integrity and morality： ● Avoid dealing with suppliers with dishonest behavior. ● When dealing with suppliers, explanation needs to be made about our company's integrity management policy, and they should be clearly required not to bribe our company's personnel or provide or receive unfair benefits. If the behavior above is found, proactive reporting to our company is required. ② Implementation status：Suppliers are required to sign a "Supplier Commitment Letter" and promise to comply with the following regulations： (A) Maintaining social welfare, including labor and human rights, personnel health and safety, product safety, integrity and ethics. (B) Environmental protection. (C) Compliance with policies and laws. (D) Violation of liability： In case of any violation of the provisions of this undertaking, our company may terminate the transaction contract, and demand compensation if there is	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			any damage.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The report was compiled in accordance with the GRI 2016 guidelines issued by the Global Reporting Initiative (GRI) and verified by a third-party verification unit (Bsi), and meets the AA100 AS 2018 medium assurance level standard and has obtained the assurance statement.	None
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies： Our company has formulated its "Corporate Social Responsibility Best Practice Principles" on November 6, 2020 and regularly reports to the board of directors on our company's annual implementation and operation of social responsibility. The actual operation of our company is no different from the established principles.				
7. Other useful information for explaining the status of corporate social responsibility practices： (1) Environmental protection： As a member of the global village, our company continues to promote relevant environmental protection measures. In order to implement the environmental policy of greenhouse gas carbon management, the greenhouse gas emission of our company's plants has been checked since 2012, and it continues to decline every year. In 2020, the total emission is reduced for nine years in a role, and the carbon dioxide equivalent（CO_2e）is 8,011.703 metric tons. Since our company's introduction of Global Recycled Standard（GRS） in 2015 to produce environment-friendly nylon products, in addition to the existing products, nylon filament yarn and nylon textured yarn, this year nylon chip products made of self-owned waste yarn and purchased waste fishing nets as raw materials are added. The products have been				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

certified by Control Union（CU）to expand the field of environment- friendly products and achieve the purpose of resource recycling and reuse with a positive attitude.

Energy saving is the consistent goal of our company. With the efforts of various departments, the average annual energy saving rate from 2015 to 2020 is 1.20%, and the power saving performance is 3,537,204 million joules, approximately 982,600 kWh, and the cumulative power saving performance from 2015 to 2020 reached 8.94%, showing that our company has achieved remarkable results in energy conservation. Our company will continue to work hard in the future and stride toward the high energy-saving goal.

(2)Social contribution：

For disadvantaged families, in 2020 our company helped set up factory teaching classes（in cooperation with the University of Science and Technology）and provides salary and study subsidies（see below）, so that students can learn to be independent and obtain employment while studying.

Unit	Object	Number of people
National Yunlin University of Science and Technology	University students	20
National Chin-Yi University of Technology	University students	24
Changhua Commercial College Culture and Education Foundation	High school students	5
Twilight Elite Development Association	High school students	15

Annexes

Risk Management Policy

The Company shall, in accordance with the principle of materiality, conduct risk assessments on environmental, social and governance issues related to the Company's operations, and formulate relevant risk management policies or strategies in accordance with the "Operational Risk Management Procedures".enclosure

Major Issues	Risk Assessment Items	Risk Policy or Strategy
Environment	Environmental Policy	The Company is committed to energy conservation and carbon reduction, industrial waste reduction, pollution prevention, and resource recycling and reuse. 1. The Company follows the ISO 14001 Environmental Management System Standard to assess environmental risks every year, and sets environmental goals and management plans to eliminate or control risks. 2. The Company follows the ISO 14064-1 Greenhouse Gas Inventory System Standard to conduct inventory checking and formulate energy-saving plans to reduce electricity consumption by at least 1% every year. In order to implement environmental protection and develop green energy, the Company will continue to promote the installation of solar power generation equipment.
Social	Occupational Safety Policy	The Company aims at zero disasters and has passed the ISO 45001 Occupational Health and Safety Management System certification. 1. To prevent hazards, the Company provides a safe environment for high-risk operations and equipment, and provides personnel with necessary occupational health and safety training in a timely manner. 2. In order to promote occupational health, the Company conducts an annual health check and plans appropriate health promotion activities. 3. The Company invites contractors to participate in the organization meeting of the agreement every year to share industrial safety experience and provide relevant safety training to enhance the group's awareness of safety and health, and thereby reduce the occurrence of occupational accidents.

Major Issues	Risk Assessment Items	Risk Policy or Strategy
Governance	Socioeconomic and legal Compliance	1. In accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", the Company has formulated its " " Corporate Governance Best Practice Principles as the basis for corporate governance. Through the establishment of a governance organization and implementation of an internal control mechanism, all personnel and operations are indeed in compliance with relevant laws and regulations. 2. The Company follows the provisions of the "Corporate Social Responsibility Best Practice Principles" and "Corporate Social Responsibility Management System" to ensure timely and correct disclosure of corporate social responsibility related information. Perform corporate social responsibility, and promote the balance between economy and environmental ecology as well as the progress of the society, in order to achieve the goal of sustainable development. 3. In accordance with the "Ethical Corporate Management Best Practice Principles" and ", "Procedures for Ethical Management and Guidelines for Conduct" the Company shall formulate ethical corporate management policies and establish good corporate governance and risk control mechanisms based on the business philosophy of integrity, transparency and responsibility, in order to create a sustainable business environment.

3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		(1) ① Based on the business philosophy of integrity, transparency and responsibility, our company has formulated the "Ethical Corporate Management Best Practice Principles" and clearly defined in it the ethical corporate management policy as follows："Based on the principles of fairness, honesty, trustworthiness and transparency of business activities, our company staff is prohibited from engaging in unethical behavior" and approved by the board of directors. ② When our company communicates with the supplier, the "Order Notice" provided to the supplier contains our company's "Ethical Corporate Management Best Practice Principle" and a statement prohibiting unethical behavior, and the supplier is required to sign a "Supplier	None

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Commitment Letter" to follow our company's ethical corporate management best practice principle. ③ All the directors and senior management of our company realize that unethical behavior is our company's core value, agree to follow our e company's "Ethical Corporate Management Policy", jointly signed the "Statement of Compliance with Ethical Corporate Management Policy" and will implement it	
(2)Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	✓		(2) Our company has formulated the "Ethical Corporate Management Operation Procedures and Behavior Guidelines". Article 5 of it contains an unethical behavior prevention plan formulated for business activities assessed and analyzed to have a higher risk of unethical behaviors, and the content covers prevention measures against various behaviors in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" (please refer to Article 5 of the "Ethical Corporate Management Operation Procedures and Behavior Guidelines").	None

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3)Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		(3) Our company has formulated the "Ethical Corporate Management Operation Procedures and Behavior Guidelines", which clearly contains the operating procedures and behavior guidelines of the plan against unethical behavior, as well as the system of punishment for violations and complaint (please refer to Article 9 of the Operation Procedures and Behavior Guidelines); the aforementioned plan is implemented and regularly reviewed and revised.	None
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) ① External promotion When signing a contract with a supplier, o company will explain our company's ethical corporate management policy to the transaction counterparty and require them to sign a " Supplier Commitment Letter ", requesting that giving or taking bribery and the provision or acceptance of improper benefits are prohibited when dealing with our company. In case of violation of the regulations, our company may suspend or terminate the transaction contract and have the right to demand compensation for	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status[1]</th><th rowspan="2">Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>damages.

② When our company communicates with the supplier, the "Order Notice" provided to the supplier contains our company's "Ethical Corporate Management Policy" and a statement prohibiting unethical behavior.</td><td></td></tr>
<tr><td>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</td><td>✓</td><td></td><td>(2)
① In order to improve our company's ethical corporate management, the President's Office of our company is a dedicated unit responsible for the formulation, supervision and implementation of policies and prevention plans, and reports to the board of directors at least once a year.

② On March 20 and November 6, 2020, it reported to the board of directors the Ethical Corporate Management Policy, plan for preventing unethical behavior, and supervision and implementation status as follows：

(A) Report to the board of directors on the</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			implementation status on March 20, 2020： a. Revision of our company's Ethical Corporate Management Best Practice Principle. b. All directors and senior management of our company signed the "Declaration of Compliance with the Ethical Corporate Management Policy". (B) Report to the board of directors on the implementation status on November 6, 2020： a. Establishment of the "Ethical Corporate Management Operation Procedures and Behavior Guidelines". b. Establishment and implementation status of the whistleblowing system. Training and promotion of integrity and ethics.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) Our company has formulated a policy in Article 19 of the "Ethical Corporate Management Best Practice Principle" to prevent conflicts of interest：	None

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			① For the directors, managers and other interested parties of our company present at the board meeting either with or without voting rights, if they or the legal persons they represent have a personal interest in the proposals of the board meeting, they shall explain the important content of their interest at the current board meeting; if it is harmful to the interests of our company, they shall avoid participating in the discussion or voting, and shall not act for other directors to exercise their voting rights. Directors shall also be self-disciplined and shall not to support each other in improper deeds. If a director's spouse or second-tier relative, or a company in which the director has a controlling interest, has a personal interest in the proposal of the board meeting, then the director shall be regarded as having a personal interest in the proposal. ② The staff of our company shall not use their position or influence in our company to	

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			obtain illegitimate benefits for themselves, their spouses, parents, children or anyone else.	
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		(4) Our company formulates an internal audit plan based on the results of the risk assessment, and the internal audit unit implements various audit operations according to the plan. When special circumstances occur, additional special inspections will be arranged.	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) ① In 2020, our company conducted training on ethical corporate management for a total of 33 internal managers. ② External propaganda (A) When the company signs a contract with a supplier, it shall explain the company's integrity management policy to the transaction partner and require them to sign a	None

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			"supplier commitment letter", requesting that bribery or bribery and the provision or acceptance of improper benefits are prohibited when dealing with the company. In case of violation of the regulations, the company may suspend or terminate the transaction contract and have the right to demand compensation for damages. (B) When the company communicates with suppliers, the "Order Notice" provided by the supplier contains the company's "Integrity Management Policy" and a statement prohibiting dishonest behavior.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) ① Our company has established a whistleblowing and reward system, as detailed in Article 23： Whistleblowing System of our company's "Ethical Corporate Management Best Practice Principle".	None

Evaluation Item	Implementation Status[1]			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			② Our company has established and announced an internal independent whistleblowing mailbox and dedicated line on our company website for internal and external personnel to use. ③ If there is any whistleblowing, the President’s Office responsible for ethical corporate management shall assign a dedicate person in accordance with the prescribed procedures..	
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(2) Our company has formulated standard investigation procedures and the related confidentiality mechanism for the acceptance of whistleblowing. (Please refer to Article 23 of our Company's Ethical Corporate Management Best Practice Principle)	None
(3) Does the company provide proper whistleblower protection?	✓		(3) ① Article 23：Whistleblowing System of our company's "Ethical Corporate Management Best Practice Principles” clearly stipulates that our company's relevant personnel handling whistleblowing shall declare, in writing, that the identity of the whistleblower and the content of the whistleblowing are confidential, and	None

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			anonymous whistleblowing is allowed. Our company also promises to protect whistleblowers from improper treatment due to whistleblowing. ② On our company's website regarding the whistleblowing channel, it is also clearly stated that our company will keep confidential the identity of the whistleblower and the content, will investigate and deal with the matter as soon as possible, and will prevent improper disposal due to the whistleblowing.	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		Our company is planning to disclose its "Ethical Corporate Management Best Practice Principle" on the corporate website, and there is a dedicated person responsible for our company's information at all times and disclosing and updating it when necessary.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences. Our company revised the "Ethical Corporate Management Best Practice Principles of our Company" based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", and has it passed by the board meeting on March 20, 2020. There is no difference between the operation and the established principles.				

Evaluation Item	Implementation Status[1]			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). In order to implement the ethical corporate management policy, our company has formulated the "Ethical Corporate Management Operation Procedures and Behavior Guidelines" on October 20, 2020.				

3.4.7 Corporate Governance Guidelines and Regulations

The company has formulated its "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Corporate Social Responsibility Management System", "Ethical Corporate Management Operation Procedures and Behavior Guidelines", and "Corporate Social Responsibility Best Practice Principles" which have been published on MOPS.

(Inquiry method： MOPS\Corporate governance\Formulation of relevant procedures and rules for corporate governance).

3.4.8 Other Important Information Regarding Corporate Governance

3.4.8.1 The company has formulated the "Management Regulations for Preventing Insider Trading" as the basis for the company's major information processing and disclosure mechanism, and reviews the regulations from time to time to meet current laws and regulations and practical management needs.

3.4.8.2 The regulations are also announced in the internal document management system for managers and employees to consult at any time, and the company's important internal information and matters for precautions are also announced from time to time.

3.4.9 Disclosures relating to the execution of internal control policies

3.4.9.1 Internal Control system Statement：

Declaration of internal control system of public offering company
Indicates that both design and execution are effective
(This statement is applicable when all laws and regulations are declared in compliance with laws and regulatio)

ZIG SHENG INDUSTRIAL CO., LTD.

Statement of Internal Control System

Date: March 26, 2021

According to the Company's internal control policy, The following statement had been made based on the results of self-assessment in 2020：

1. The Company acknowledges and understands that it is the Board of Directors' and the management team's responsibility to establish, implement, and sustain an internal control system, and that such a system has already been established throughout the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc.), reliable, timely and transparent financial reporting, and compliance of relevant regulations and relevant laws etc.
2. The internal control system has inherent limitations, no matter how comprehensively it is well-designed. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, self-supervision measures were embedded within the internal control system and it is able to facilitate immediate rectification once flaws have been identified.
3. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation, 3. Control procedures, 4. Information and communication, 5. Supervision activities. Each element further contains several items. Please refer to the Regulations for the details.
4. The Company adopted the above-mentioned criteria to evaluate the effectiveness of its internal control policy design and execution.
5. Based on the assessments described above, the Company considered the design and execution of its internal control system to be effective as at December 31, 2020. This system (including the supervision and management of the Company's subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This Statement constitutes a part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by the Company's board of Directorson March 26, 2021. None of the 10 board directors present to the meeting held any objections, and unanimously agreed to the contents of this Statement.

ZIG SHENG IND. CO., LTD.

Chairman： Son Tsan Yeh Signature

President： Su Pai Huang Signature

3.4.9.2 If the internal control policy was reviewed by an external auditor, the result of such review must be disclosed：None.

3.4.10 Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up till the publication date of this annual report; describe areas of weakness and any corrective actions taken：None.

3.4.11 Major resolutions made by the Shareholders' Meeting and the Board of Directors during the latest financial year up until the publication date of this annual report：

3.4.11.1. The 2019 Annual General shareholders' meeting was convened on June 24, 2019. Resolutions of attending shareholders and execution status are as follows：

Resolutions of attending shareholders	Execution Status
1. Acknowledge of Business Report and Financial Statements in 2019. 2. Acknowledge of appropriation of profit or loss in 2019.	1. The financial report was declared and completed on March 23, 2020 in accordance with the regulations of the competent authority.
3. Approved the revision of some articles of the company's articles of association.	2. The amendment to the articles of association of the company was completed on July 24, 2020, to change the registration of the Ministry of Economy.

3.4.11.2. Major resolutions made by the Board of directors' Meeting：

Date	Major resolutions
January 10, 2020	The third audit committee review report of the first session. Audit report ----- Work report from November to December in 2008. Discussion matters ----- 1. Formulate the performance evaluation method of the company's board of directors 2. In the year of 2008, the company's year-end bonus and supervisor bonus aresuance standards. 3. The salary payment standard of the company's directors in 109 years. 4. The salary payment standard of the company's managers in 109 years.
March 20, 2020	The 4th audit committee review report of the first session. Audit report ----- Work report from January to February of 2009. Accounting report ----- The 108 annual financial report prepares the situation report by itself. Discussion matters ----- 1. Review the 2019 internal control system declaration. 2. Revise the company's [Organizational Regulations of Remuneration Committee], [Organizational Regulations of Audit Committee] 3. Revise the company's [Code of Integrity Management]. 4. Review the independent assessment of the certification accountant and the appointment and remuneration for 2020 years. 5. To consider the company's 2019 individual and consolidated financial reports.

Date	Major resolutions
March 20, 2020	6. Review the 108 employees' remuneration and directors' remuneration distribution proposal. --Remuneration Committee 7. Deliberate the 2008 profit and loss appropriation proposal. 8. Amend the company’s [Articles of Association]. 9. Revise the company’s [Rules of Procedure of the Board of Directors]. 10. In order to safeguard the company’s credit and shareholders’ rights and interests, it is planned to implement the purchase of treasury stocks back to the company’s shares. 11. Set the date, place, and agenda of the 109 Annual General Meeting of Shareholders. (6/22 Monday) 12. Decide on the period, location and other related matters concerning the acceptance of shareholders' proposals at the 109 shareholders meeting.
April 30, 2020	The 5th audit committee review report of the first session. Audit report ----- March to April 2020 work report. The company's 2019 corporate social responsibility operation report. Accounting report ----- Consolidated financial report of 1Q2020. Financial Report ----- Including the report on the operation of derivatives as of April 27 in the year 2020. Discussion matters ----- none
August 7, 2020	The 6th audit committee review report of the first session. Audit report ----- Work report from May to July of 2020. The company's directors, supervisors and important staff liability insurance renewal report. Accounting report ----- financial report of 2Q2020. Matters for discussion ----- Amendment to the company's internal control system ----- "Code of Ethical Conduct"
August 18,2020	● Provisional Board of Directors Report matters ----- None Discussed matters ----- In order to maintain the company's credit and shareholders' rights and interests, it was decided to implement the repurchase of treasury shares.
November 6, 2020	The 7th Audit Committee Review Report of the first session. Audit report ----- Work report from August to October 2020. Accounting report ----- financial report of 3Q2020. Discussion matters ----- 1. The audit plan of 2021. 2. Update the company's corporate social responsibility code of practice. 3. Revise the method for the election of directors of the company.
November 13, 2020	● Provisional Board of Directors Report matters ----- None Discussed matters ----- In order to maintain the company's credit and shareholders' rights and interests, it was decided to implement the repurchase of treasury shares.
January 8, 2021	Accounting report ----- Self-settled profit and loss report of 2020. Discussion matters ----- 1. bonus for managers of the company and directors who are also employees And the standard of the supervisor bonus of 2020. 2. The salary payment standard of the company's directors in 2021. 3. The salary payment standard of the company's managers in 2021.

Date	Major resolutions
March 26, 2021	The 8th Audit Committee Review Report of the first session. Audit report ----- Work report from November 2020 to February 2021. Financial Report ----- (1) Report on the performance evaluation results of the 2020 Board of Directors of the company. (2) Derivative commodity operation and financial status report. Discussion matters ----- 1. Check the internal control system statement in 2020. 2. Proposal to amend the internal control system of the company. 3. Review the employee remuneration and directors' remuneration distribution proposal in 2020. 4. Deliberate the individual and consolidated financial report of the company in 2020. 5. Review the independent assessment of the certification accountant and the appointment and remuneration for 2021. 6. Revise the company's "Director Election Measures". 7. Review the surplus distribution proposal in 2020. 8. Discuss the case of issuing cash dividends from capital surplus. 9. Set the date, place and agenda of the general meeting of shareholders in 2021 (Friday, June 25) 10. Decide on the period, location and other related matters concerning the acceptance of shareholders' proposals at the 2021 shareholders meeting.
May 7, 2021	The 9th audit committee review report of the first session. Audit report ----- Work report from March to April 2021. Financial report ----- Including derivative product operation and financial status report. Matters to be discussed ----- According to the regulations of the competent authority, a director of corporate governance shall be established.

3.4.12 Documented opinions or written statement made by Directors or Supervisors against board resolutions in the most recent year, up till the publication date of this annual report：None.

3.4.13 Resignation or discharge of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year up till the publication date of this annual report：None.

3.5 Information Regarding the Company’s Audit Fee and Independence

Name of CPA firm	Name of CPA		Audit period	Remark
Crowe (TW) CPAs	Hsiao, Ying-Chia	Lin, Mei Ling	January 1 2020 to December 31, 2020	None

Unit：NT$thousands

Range		Audit fee	Non-audit fee	Sub-total
1	Less than NT$2,000,000	None	None	None
2	NT$ 2,000,000 (inclusive) ~ NT$ 4,000,000 (exclusive)	1,910	131	2,041
3	NT$ 4,000,000 (inclusive) ~ NT$ 6,000,000 (exclusive)	None	None	None
4	NT$ 6,000,000 (inclusive) ~ NT$ 8,000,000 (exclusive)	None	None	None
5	NT$ 8,000,000 (inclusive) ~ NT$ 10,000,000 (exclusive)	None	None	None
6	NT$ 10,000,000 and above	None	None	None

Note：The public audit fee refers to the public fee paid by the company to the certified accountant for financial report verification, review, review, financial forecast review and tax visa.

Unit：NT$thousands

Name of CPA firm	CPA Name	Audit Fee	Non-audit fees					Accountant's review period Whether to cover the full fiscal year			Remark
			System Design	Company Registration	Human Resource	Others (Note)	Sub-total	Yes	No	CPA’s Audit Period	
Crowe (TW) CPAs	Hsiao, Ying Chia Lin, Mei Ling	1,910	0	0	0	131	131	✓		January 1 2020 to December 31, 2020	Part-time business person to check visa, Non-manager full-time employee salary information checklist, Opinions on the evaluation of the reasonableness of the price of repurchased shares, Cancellation of treasury shares, capital reduction, and revision

3.5.1 The content of the amounts of both audit and non-audit fees and the details of the non-audit services for non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid：None.

3.5.2 When the accounting firm is changed and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed：None.

3.5.3 When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees：None.

3.6 Information regarding Change of CPA

Change of accountants in the last two years and later periods：None.

3.6.1 Information relating to the former CPAs：

<table>
<tr><td>Replacement Date</td><td colspan="4">January 1, 2017</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to internal restructuring at Crowe (TW) CPAs, Formerly Lin, Jhih-Long and Lin, Mei Ling accountants changed to Hsiao, Ying Chia and Lin, Mei Ling.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Parties / Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Remarks/specify details：</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="4">None</td></tr>
</table>

3.6.2 Information relating to the successor CPAs：Not applicable.

3.6.3 Replay of former auditor to item 1 and item 2-3 of Subparagraph 6 of Article 10 of these Regulations：None.

3.7 The Company's chairman, president or managers in charge of finance and accounting operations, who holds any positions within the CPA firm or its affiliates in the most recent year, the name, job title and the employment period at the independent audit firm or its affiliates：None.

3.8 Transfer or pledge of stock rights of directors, supervisors, managers, shareholder with a stake of more than 10 percent in the most recent fiscal year and up till the publication date of this annual report.

Unit：Shares

Title	Name	2020		As of April 27, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	YEH, SOU-TSUN	0	0	0	0
Director and President	SU, PAT-HUANG	(10,000,000)	0	0	0
Director	YI SHENG INVESTMENT CO., LTD.	0	0	0	0
Representative of corporate director	SU, CING-YUAN	(10,000,000)	0	0	0
Director and Vice President of Chemical Materials Business Division	YEH, TSUNG-HAO	0	0	0	0
Director and Senior Vice President	LIANG, LONG-SHIANG	0	0	0	0
Director	SU, EN-PING	247,000	0	0	0
Director	SU, PO-CHEN	2,200,000	2,200,000	0	0
Independent director	OU, YU-LUN	0	0	0	0
Independent director	YU, NENG-YUAN	0	0	0	0
Independent director	LIN, KO-WU	(418)	0	0	0
Vice president of the Ministry of Works and Plant Management Office	YOU, CONG-JHIH	0	0	0	0
Plant manager of Nylon Polymerization Plant	ZENG, YU-CI	0	0	0	0
Vice President of Fiber Business Division	YE, PI-LU	0	0	0	0
Vice President of General Management Division	KUO, SHIH-CHENG	0	0	0	0
Vice President of Financial Department	YEN, CHUNG-TZU	0	0	0	0
Assistant Vice President of Accounting Department	CHEN, CI-HUANG	0	0	0	0
Assistant Vice President of R&D Center	LIN,YU-TANG	0	0	0	0
Assistant Vice President of Fiber Business Division	LIN,CHING-CHUAN	0	0	0	0

Note 1：There are no major shareholders holding more than 10% of the shares.

Note 2：The counterparty of the equity transfer or equity pledge is the related party：None.

3.9 Information on the top ten shareholders with shareholding ratio who are related persons, spouses, second parents, etc.

April 27, 2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
SU,CING-YUAN, Representative of corporate director of YI SHENG INVESTMENT CO., LTD.	52,783,760	9.93%	0	0	0	0	SU,CING-YUAN	Chairman	Director of the company
							SU, PAT-HUANG	Director	
SU, CING-YUAN	26,912,389	5.06%	25,000	0			SU, PAT-HUANG	Brothers	Representative of corporate director of the company
					6,000,000	1.13%	YI SHENG INVESTMENT CO., LTD.	Chairman of the company	
					10,000,000	1.88%	Qiang You Sheng Co., Ltd.	Supervisor of the company	
SU, PAT-HUANG	27,160,455	5.11%	116,543	0.02%			SU,CING-YUAN	Brothers	Director and President of the company
					6,000,000	1.13%	YI SHENG INVESTMENT CO., LTD.	Director of the company	
					10,000,000	1.88%	Qiang You Sheng Co., Ltd.	Director of the company	
HOU, SHENG-YUAN, Representative of corporate director of Qiang You Sheng Co., Ltd.	20,000,000	3.76%	0	0	0	0	SU, PAT-HUANG	Director	None
							SU,CING-YUAN	Supervisor	
YEH, SOU-TSUN	19,692,945	3.70%	10,579,054	1.99%	0	0	YEH LAN, SU-CHIN	Spouse	Chairman of the company
							YEH, TSUNG-HAO	Father and son	
YEH, TSUNG-HAO	12,492,312	2.35%	48,033	0.01%	0	0	YEH, SOU-TSUN	Father and son	Director of the company
							YEH LAN, SU-CHIN	Mother and son	
JHANG,BING-RONG, Representative of corporate director of SHUO CYUAN CO., LTD..	18,745,176	3.53%	0	0	0	0	None	None	None
SU, CING-LANG	15,330,453	2.88%	4,563,505	0.75%	0	0	SU,CING-FU	Brothers	None
SU, CING-FU	15,251,992	2.87%	4,300,000	0.70%	0	0	SU,CING-LANG	Brothers	None
YEH, LAN SU-CHIN	10,579,054	1.99%	19,692,945	3.70%	0	0	YEH, SOU-TSUN	Spouse	None
							YEH, TSUNG-HAO	Mother and son	

3.10 The number of shares held by the company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the company in the same reinvested enterprise, and the consolidated shareholding ratio is calculated

Unit：shares/ %；As of March 31 2021

Affiliated Enterprises (Investment using the equity method)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
ZIS Holding Co.,Ltd.in Republic of Mauritius	5,400,000	100.00	0	0	5,400,000	100.00
Nicest Int'L Trading Corp. in Independent State of Samoa	300,000	100.00	0	0	300,000	100.00
Ding Sheng Material Technology Co., Ltd. in Taiwan	1,500,000	100.00	0	0	1,500,000	100.00

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

4.1.1.1 Issued Shares

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (thousands)	Amount (NT$ thousands)	Shares (thousands)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1969.08	10,000	1,600	16,000	1,600	16,000	Registration	None	None
1987.12	10	19,604	196,040	19,604	196,040	None	None	None
1991.11	10	42,808	428,080	42,808	428,080	1	None	None
1992.06	10	90,000	900,000	61,643	616,435	2	None	None
1993.08	10	90,000	900,000	75,821	758,215	3	None	None
1994.04	10	90,000	900,000	90,000	900,000	4	None	None
1994..07	10	160,000	1,600,000	108,000	1,080,000	5	None	None
1995.06	10	160,000	1,600,000	129,600	1,296,000	6	None	None
1996.07	10	160,000	1,600,000	149,040	1,490,400	7	None	None
1996.12	10	330,000	3,300,000	190,000	1,900,000	8	None	None
1997.09	10	330,000	3,300,000	280,000	2,800,000	9	None	None
1998.06	10	550,000	5,500,000	336,000	3,360,000	10	None	None
1999.07	10	550,000	5,500,000	383,040	3,830,400	11	None	None
2000.08	10	600,000	6,000,000	406,022	4,060,224	12	None	None
2003.08	10	600,000	6,000,000	422,263	4,222,633	13	None	None
2004.08	10	600,000	6,000,000	439,153	4,391,538	14	None	None
2005.09	10	600,000	6,000,000	472,090	4,720,903	15	None	None
2007.08	10	600,000	6,000,000	480,588	4,805,880	16	None	None
2008.09	10	600,000	6,000,000	489,239	4,892,386	17	None	None
2009.04	10	600,000	6,000,000	482,116	4,821,166	18	None	None
2010.09	10	600,000	6,000,000	489,348	4,893,483	19	None	None
2011.09	10	600,000	6,000,000	518,709	5,187,092	20	None	None
2012.05	10	600,000	6,000,000	599,709	5,997,092	21	None	None
2012.08	10	800,000	8,000,000	605,706	6,057,063	22	None	None
2013.09	10	800,000	8,000,000	611,763	6,117,634	23	None	None
2020.07	10	800,000	8,000,000	578,000	5,780,004	24	None	None
2020.11	10	800,000	8.000.000	550,001	5,550,013	25	None	None
2021.01	10	800,000	8,000,000	531,688	5,316,883	26	None	None

Remark	Source of capital	NT$	Source of capital	NT$	Department of Commerce, MOEA Approval number
1、	Cash capital increase	36,000,000	Capitalization of earnings	196,040,000	JING(1991)-SHANG-ZIH No. 126830
2、	Capitalization of earnings	149,828,000	Additional paid-in capital	38,527,200	JING(1992)-SHANG-ZIH No. 111910
3、	Capitalization of earnings	141,780,100			JING(1993)-SHANG-ZIH No. 114797
4、	Cash capital increase	141,784,700			JING(1994)-SHANG-ZIH No. 106616
5、	Capitalization of earnings	180,000,000			JING(1994)-SHANG-ZIH No. 111110
6、	Capitalization of earnings	108,000,000	Additional paid-in capital	108,000,000	JING(1995)-SHANG-ZIH No. 108398
7、	Capitalization of earnings	64,800,000	Additional paid-in capital	129,600,000	JING(1996)-SHANG-ZIH No. 112973
8、	Cash capital increase	409,600,000			JING(1996)-SHANG-ZIH No. 122254
9、	Cash capital increase	520,000,000	Capitalization of earnings Additional paid-in capital	190,000,000 190,000,000	JING(1997)-SHANG-ZIH No. 118953

Remark	Source of capital	NT$	Source of capital	NT$	Department of Commerce, MOEA Approval number
10、	Capitalization of earnings	280,000,000	Additional paid-in capital	280,000,000	JING(1998)-SHANG-ZIH No. 116419
11、	Capitalization of earnings	201,600,000	Additional paid-in capital	268,800,000	JING(1999)-SHANG-ZIH No. 129189
12、	Capitalization of earnings	172,368,000	Additional paid-in capital	57,456,000	JING(2000)-SHANG-ZIH No. 089127894
13、	Capitalization of earnings	162,408,000			JING-SHOU-SHANG-ZIH No. 0920125250
14、	Capitalization of earnings	126,678,990	Additional paid-in capital	42,226,330	JING-SHOU-SHANG-ZIH No. 09301156140
15、	Capitalization of earnings	329,365,370			JING-SHOU-SHANG-ZIH No. 09401177070
16、	Capitalization of earnings	84,976,260			JING-SHOU-SHANG-ZIH No. 09601239900
17、	Capitalization of earnings	86,505,840			JING-SHOU-SHANG-ZIH No. 09701243000
18、	Decrease in treasury stokck	71,200,000			JING-SHOU-SHANG-ZIH No. 09801065890
19、	Capitalization of earnings	72,317,490			JING-SHOU-SHANG-ZIH No. 09901218930
20、	Capitalization of earnings	293,609,000			JING-SHOU-SHANG-ZIH No. 10001194830
21、	Capitalization of earnings	810,000,000			JING-SHOU-SHANG-ZIH No. 10101083150
22、	Capitalization of earnings	59,970,930			JING-SHOU-SHANG-ZIH No. 10101171260
23、			Additional paid-in capital	60,570,630	JING-SHOU-SHANG-ZIH No. 10201191360
24、	Decrease in treasury stokck	337,630,000			JING-SHOU-SHANG-ZIH No. 10901120120
25、	Decrease in treasury stokck	279,990,000			JING-SHOU-SHANG-ZIH No. 10901205850
26、	Decrease in treasury stokck	183,130,000			JING-SHOU-SHANG-ZIH No. 11001014500

4.1.1.2. Type of Stock

April 27, 2021

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	531,688,380	268,311,620	800,000,000	None

4.1.2 Status of Shareholders

April 27, 2021

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	59	37,439	84	37,583
Shareholding (shares)	0	36,000	106,779,454	406,163,021	18,709,905	531,688,380
Percentage	0%	0.01%	20.08%	76.39%	3.52%	100.00%

4.1.3 Shareholding Distribution Status

Common Shares Par value per share NT$10

April 27, 2021

Class of Shareholding (Unit： Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	13,862	2,577,890	0.49%
1,000 ~ 5,000	17,052	37,769,839	7.10%
5,001 ~ 10,000	3,325	27,289,563	5.13%
10,001 ~ 15,000	942	11,794,658	2.22%
15,001 ~ 20,000	748	14,224,004	2.68%
20,001 ~ 30,000	563	14,781,788	2.78%
30,001 ~ 40,000	254	9,288,634	1.75%
40,001 ~ 50,000	218	10,329,918	1.94%
50,001 ~ 100,000	315	23,321,626	4.39%
100,001 ~ 200,000	147	21,317,282	4.01%
200,001 ~ 400,000	64	18,174,712	3.42%
400,001 ~ 600,000	30	14,997,615	2.82%
600,001 ~ 800,000	13	9,370,574	1.76%
800,001 ~ 1,000,000	9	8,147,846	1.53%
1,000,001 or over	41	308,302,431	57.98%
Total	37,583	531,688,380	100.00%

4.1.4 List of Major Shareholders

April 27, 2021

Shareholder's Name	Shareholding	
	Shares	Percentage
YI SHENG INVESTMENT CO., LTD.	52,783,760	9.93%
SU, PAT-HUANG	27,160,455	5.11%
SU, CING-YUAN	26,912,389	5.06%
Qiang You Sheng Co., Ltd.	20,000,000	3.76%
YEH, SOU-TSUN	19,692,945	3.70%
SHUO CYUAN CO., LTD.	18,745,176	3.53%
SU, CING-LANG	15,330,453	2.88%
SU, CING-FU	15,251,992	2.87%
YEH, TSUNG-HAO	12,492,312	2.35%
YEH, LAN SU-CHIN	10,579,054	1.99%

4.1.5 Market Price , net value, Earnings, Dividend per Share and relevant information for the last two years：

Unit：NT$

Items			2019	2020	Year-to-date March 31, 2021(Note 5)
Market Price Per Share	Highest		9.38	12.45	12.09
	Lowest		7.77	4.44	8.68
	Average		8.68	7.78	11.19
Net worth Per share	Before distribution		11.77	12.25	13.00
	After distribution		11.77	11.95	None
Earnings Per Share	Weighted average outstanding shares (thousand shares)		611,763	577,795	531,811
	EPS	Before Adjustment	(0.49)	(0.07)	0.72
		After Adjustment	(0.49)	(0.07)	0.72
Dividend Per share (Note 1)	Cash dividend Per Share		0	0.30	None
	Stock grants	From retained Earnings	0	0	None
		From retained reserve	0	0	None
	Accumulated undistributed dividends		0	0	None
Analysis on ROI	Price/Earnings Ratio (PER) (Note 2)		None	None	None
	Price/Dividend Ratio (PDR) (Note 3)		None	25.93	None
	Cash Dividend yield (Note 4)		None	3.86	None

Note 1： The dividend payment for the year 2020 was approved by the board of directors on March 26, 2021

Note 2： Price / Earnings Ratio = Average Market Price / Earnings per Share (When the net profit after tax is 0 or negative, it will not be calculated.)

Note 3： Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4： Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5： Net value per share and earnings per share are based on the financial report data reviewed by accountants in the first quarter of 2021.

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy -Article 25 of the Articles of Association

The company's dividends shall be distributed in accordance with the company's articles of incorporation, taking into account the characteristics of the business climate change, considering the impact of the life cycle of each product or service on the future demand for funds and the tax system, and maintaining a stable dividend.

Measure the capital requirements for the next year, and comprehensively consider factors such as profitability, financial structure and the degree of dilution of earnings per share, and propose an appropriate ratio of cash to stock dividends. The proposal is submitted to the shareholders meeting for approval.

Shareholder dividends give priority to cash dividends. However, if the company has major investment plans or needs to improve its financial structure, part of the dividends will be changed to stock dividends. In order to avoid excessive capital expansion and affect the dividend payment level in the future, the stock dividend is 0% ~ 60% of the total dividend for the year.

4.1.6.2 Proposed Distribution of Dividend

The company's board of directors resolved on March 26, 2021 to allocate cash dividends,
Earnings distribution (NT$0.1 /share), capital surplus (NT$0.2 /share),
Submit the shareholders meeting resolution in 2021.

4.1.7 Impact to Business Performance and EPS Resulting from Stock Dividend：

<table>
<tr><th colspan="3">Item</th><th>2020
(Estimate)</th></tr>
<tr><td colspan="3">Beginning Paid-in Capital (in thousands of NT$)</td><td>5,316,883</td></tr>
<tr><td rowspan="3">Current dividend distribution (Note)</td><td colspan="2">Cash dividend per share (NT$)</td><td>0.3</td></tr>
<tr><td colspan="2">Dividend per share for capitalization of earnings (share)</td><td>0</td></tr>
<tr><td colspan="2">Dividend per share for capitalization of Capital Surplus (share)</td><td>0</td></tr>
<tr><td rowspan="7">Changes in Operating performance</td><td colspan="2">Operating profit (in thousands of NT$)</td><td rowspan="13">No public finances</td></tr>
<tr><td colspan="2">Operating profit increase (decrease) ratio from same period of last year</td></tr>
<tr><td colspan="2">Net income (in thousand NT$)</td></tr>
<tr><td colspan="2">Net income increase (decrease) ratio from same period of last year (in thousands of NT$)</td></tr>
<tr><td colspan="2">Earnings per Share (EPS) (NT$)</td></tr>
<tr><td colspan="2">EPS increase (decrease) ratio from same period of last year</td></tr>
<tr><td colspan="2">Annual average return on investment (annual average PER reciprocal)</td></tr>
<tr><td rowspan="6">Pro Forma EPS and PER</td><td rowspan="2">Capitalization of earnings changed to distribution of cash dividend in full</td><td>Pro Forma EPS (NT$)</td></tr>
<tr><td>Pro Forma annual average return ratio</td></tr>
<tr><td rowspan="2">Without capitalization of Capital Surplus</td><td>Pro Forma EPS (NT$)</td></tr>
<tr><td>Pro Forma annual average return ratio</td></tr>
<tr><td rowspan="2">Without capitalization of Capital Surplus and capitalization of earnings changed to issuance of cash dividends</td><td>Pro Forma EPS (NT$)</td></tr>
<tr><td>Pro Forma annual average return ratio</td></tr>
</table>

4.1.8 Compensation of Employees, Directors and Supervisors

4.1.8.1 According to Article 26 of the company's articles of association, the provisions are as follows：

"If the company's annual settlement is profitable, it should first allocate 2% of the remuneration to employees, and the remuneration of directors and supervisors shall be allocated up to 3%. The resolution on the distribution of employee remuneration in the preceding paragraph shall be passed by a special resolution of the board of directors. Do it and submit it to the shareholders meeting."

4.1.8.2. As the year 2020 is a pre-tax loss, no compensation for employees and directors will be provided.
This case was passed by the 12th (March 26, 2021) board of directors of the company's eighteenth session.

4.1.8.3 Last (2019) year allotment of employee remuneration and directors and supervisors' remuneration:
As the 2019 is a pre-tax loss, no compensation for employees, directors and supervisors will be provided.

4.1.9 Buy-back of Treasury Stock

4.1.9.1 3th Batch

Repurchases already completed

July 24, 2020

Treasury stocks：Batch Order	3th Batch
Purpose of buy-back	To safeguard the company's credit and shareholders' rights
Timeframe of buy-back	March 23, 2020 to May 22, 2020
Price range	NT$ 3.41 to 10.05 per share
Class, quantity of shares repurchased	Common stock 33,763,000 shares
Value of shares repurchased (in NT$ thousands)	NT$ 239,691,515
Quantity of repurchased shares as a percentage of total shares to be repurchased (%)	56.27%
Shares sold/transferred	33,763,000 shares
Accumulated number of company shares held	0 shares
Percentage of total company shares held (%)	5.52%

4.1.9.2 4th Batch

Repurchases already completed

November 4, 2020

Treasury stocks：Batch Order	4th Batch
Purpose of buy-back	To safeguard the company's credit and shareholders' rights
Timeframe of buy-back	August 19, 2020 to October 17, 2020
Price range	NT$ 5.24 to 10.72 per share
Class, quantity of shares repurchased	Common stock 27,999,000 shares
Value of shares repurchased (in NT$ thousands)	NT$ 246,168,324
Quantity of repurchased shares as a percentage of total shares to be repurchased (%)	70.00%
Shares sold/transferred	27,999,000 shares
Accumulated number of company shares held	0 shares
Percentage of total company shares held (%)	4.84%

4.1.9.3 5th Batch

Repurchases already completed

January 25, 2021

Treasury stocks：Batch Order	5th Batch
Purpose of buy-back	To safeguard the company's credit and shareholders' rights
Timeframe of buy-back	November 16, 2020 to January 12, 2021
Price range	NT$ 6.04 to 12.52 per share
Class, quantity of shares repurchased	Common stock 18,313,000 shares
Value of shares repurchased (in NT$ thousands)	NT$ 170,569,117
Quantity of repurchased shares as a percentage of total shares to be repurchased (%)	61.04%
Shares sold/transferred	18,313,000 shares
Accumulated number of company shares held	0 shares
Percentage of total company shares held (%)	3.33%

4.2 Issuance of corporate bonds：None.

4.3 Issuance of preferred shares：None.

4.4 Issuance of overseas depository receipts：None.

4.5 Status of employee stock option plan and status of employee restricted stock：None.

4.6 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies：None.

4.7 Capital plans and execution：None.

V. Operational Highlights

5.1 Sales Information

5.1.1 Scope of sales

5.1.1.1 Main sales information

The production, buying, and selling of nylon chips, nylon POY, polyester DTY, polyester ATY, nylon DTY, nylon ATY, and compounding materials.

5.1.1.2 Revenue distribution

Major Divisions	Operating Percentage	Operating Income of 2020	Domestic and export sales ratio
DTY	33.8%	NT$2.59 billion	Domestic 60% Foreign 40%
Nylon Yarn	17.1%	NT$1.31 billion	
Nylon Chip	40.7%	NT$3.12 billion	
Compounding	8.0%	NT$610 million	
Others	0.4%	NT$40 million	

5.1.1.3 New products under development

(1) DTY products

①Earth friendly trends have made the use of recycled material increasingly important to the development of nylon and polyester products. Zig Sheng will work with leading international brands to satisfy the need for low denier, high filament dope-dyed DTY, and new deep-dyed fibers with high color fastness that are easily dyed at lower temperatures. This will help us to satisfy demand for sustainable policies that conserve water, save energy, and reduce waste.

②The unique properties of synthetic fibers are being combined with our factory equipment and state of the art technology to produce new fibers for use in synthetic cotton, wool, and silk yarns. These yarns will be used in functional fabrics with warming, moisture absorbing, sweat wicking, anti-odor, moisturizing, cooling, and mechanical stretch properties.

③The advantages of vertically integrated nylon production will be applied in the research and development of moisture-absorbent cooling nylon DTY, as a substitute for natural fibers, to ensure comfortable wear.

④ATY will be incorporated into polyester, nylon, and blended fibers; and used in yarn dye and elastic fiber processing to mimic the feel of cotton, hemp, and wool. As yoga wear moves from the indoor to the outdoor space, ATY products demonstrate good potential in a market sector set apart from the typical market for elastic nylon products.

⑤Successful development of low-amino group nylon will produce heather patterns made from 100% nylon in order to provide downstream customers with broader raw material selection, and improve hand feel.

⑥Equipment upgrades： Zig Sheng will phase out old machines while adding new DTY machines with automatic doffing to improve product quality and maintain a competitive edge.

(2) Nylon products

① Nylon chips：

- Different from other competitors, Zig Sheng manufactures diversified products with multiple production lines. A variety of products, including recycled chips, functional and specialized items are applied to bright and full-dull textiles. Global manufacturers in Japan and Europe have adopted our products in the high-tenacity industrial yarn and deep-dyeing textile markets with applications in food packaging and carpet.
- The compound division and the R&D polymerization test line were established to expand our territory into electronics, motors, sports, automotive, food packaging, etc.

② Nylon Yarn：

- The rapid growth of the textile industry in Mainland China, India, and developing countries necessitates the development of specialized and diversified products as the only competitive strategy. Besides developing yarns with extremely coarse deniers, extremely fine deniers, or high thread counts, Zig Sheng will need to phase out old machinery in favor of upgraded machines, which support the development of coarse denier, high tenacity multi-filaments for use in industrial yarns with non-apparel applications. Our nylon DTY factories will also use a vertical integration model to leverage the advantages of producing our own raw materials.
- Development of deep-dyed yarn, high/low amino group nylon, dope-dyed yarn, and recycled nylon will satisfy the demand for a sustainability policy that saves energy and reduces wastewater.
- Production of infrared yarns, hydrophilic cooling yarns, anti-microbial yarns, different cross-sections of nylon yarn, collagen yarns, and mechanical stretch yarns will create a diverse product line.
- Expanding the scope of our products will allow supply of nearly all nylon-6 products, including： nylon monofilaments, yarn for Velcro, yarn for ribbons, yarn for ATY, and POY for export, GRS certified pre-consumer waste, and recycled fishing net nylon.
- Old machinery is continuously phased out in favor of new machines in order to increase the rate of A grade products, reduce production costs, and increase competitiveness. Existing machinery is being modified to produce a small volume of diverse and differentiated products.

(3) Compounding department

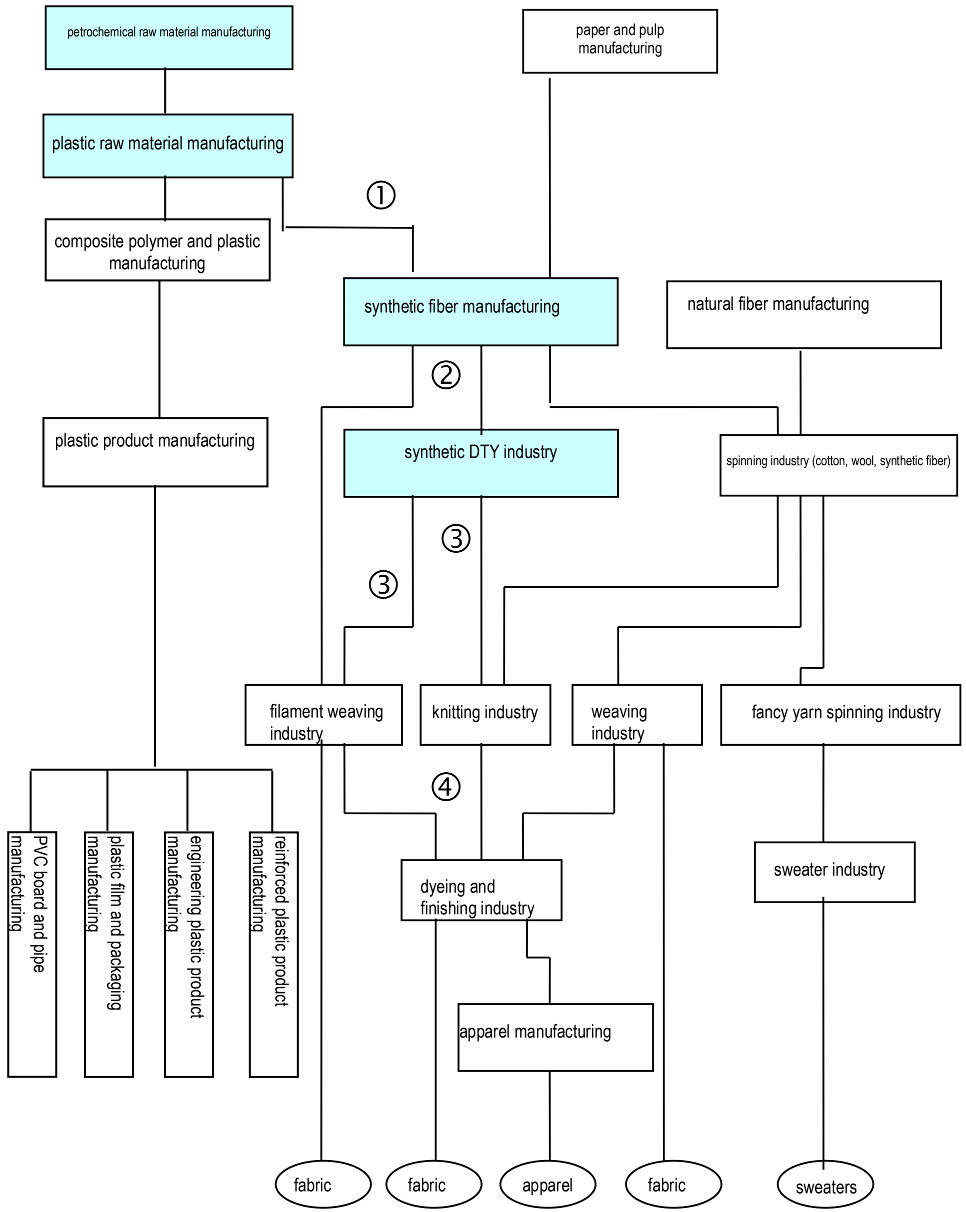
The following strategies for new product development are based on a simple yet efficient compounding department with global sales channels spread around the world：

①The department will continue to enhance and strengthen the development of existing product lines, including ultra-high flow and fast crystallization grades, ultra-high viscosity grades for tube or sheet extrusion, PA6/66 copolymer transparent grades, high glass fiber content, high strength and high flow series products...etc. These products will serve as a powerful promotional tool for our distributors to foster stronger cooperation between upstream and downstream industries.

②The department will work with distributors to develop special and customized grades, such as： non-based coat nylon alloy materials; NSF certified water purification equipment parts and related accessories; electric vehicle charging station equipment and spare parts in compliance with outdoor environment and weather resistance regulations; and biodegradable plastic products....etc.

5.1.2 Industry Overview

5.1.2.1 System diagram of upstream, midstream and downstream industrial structure



Product Flow

polyester manufacturing	polyamide manufacturing
PTA EG	CPL
① POLYESTER CHIPS	① NYLON CHIPS
② FILAMENT	② FILAMENT
③ TEXTURED YARN	③ TEXTURED YARN
④ BLENDED FILAMENT OR MIXED FIBER FABRIC	

5.1.2.2. Industry Outlook and Development

(1) Market demand started to decrease in April of 2019 and froze by June due to the U.S. China trade war. In response to a continued decline in the price of CPL, Zig Sheng spent the last half of the year scheduling equipment maintenance while working to control our inventory. Our factories incurred NT$150 million in production losses over the course of 2019. These losses, when combined with an additional 1 million tons of chip production in Mainland China, impede efforts to sell Taiwanese chips on the Mainland and have caused Taiwanese chips to be sold at low prices in foreign markets.

In 2020, Zig Sheng hopes to avoid production losses despite excess supply, unstable demand, and lack of raw material. Our goal is to increase sales volume; however, the coronavirus pandemic has frozen demand since Chinese New Year. Fortunately, we have been adjusting our overall sales distribution since 2018 to reduce dependence on Mainland China.

Region	2019		2020
Mainland China	12.0%	→	6.1%
Taiwan	36.8%	→	32.8%
Northeast Asia	25.7%	→	25.9%
Southeast Asia	11.0%	→	17.6%
South Asia	12.4%	→	16.0%

Japanese firms in Thailand and Indonesia are potential customers that could expand our markets in 2020. Formula pricing will help to maintain the stability of long term sales. These customers would increase sales by an estimated 1,000 tons per month; especially since Japanese firms in Thailand have signed service contracts and shipped their first orders in March. Japanese firms in Indonesia have already entered the second phase of product testing and are expected to enter commercial production during the second quarter of 2020.

Zig Sheng hopes to leverage favorable sales strategies this year to increase sales volume in the Indonesian market from 1000 tons per month to 2,000 tons per month in Q2; and to reach a sales volume of 3,000 tons per month by Q4. Taiwan and Japan will strive to maintain current sales volume, while also working together to develop more profitable products that will gradually increase sales volume, including the GRS certified yarn, low viscosity yarn, CD nylon, and copolymerization products that have been continuously prepared throughout 2019. These products are expected to reach the market in the coming year.

Nylon production is rapidly expanding in Mainland China, India, and other developing countries. A diversified product line, including anti-odor, moisturizing, cooling, recycled, or dope-dyed yarn, is the only path to secure a financial future in the wake of increased pricing competition. Engineering plastic could also lead to increases in both sales volume and profit this year when certified for use in the automotive, motorcycle, or household appliance industries.

Current international trends point to the formation of regional economies that restrict global sales. The blind expansion of Mainland China caused an imbalance in supply and demand across the industry that has pushed Taiwan into a higher pricing tier. This awkward transitional phase necessitates continuous pursuit of a diverse and specialized product line in order to compete with the mass market in Mainland China and to create a competitive advantage.

(2) Development of the Taiwanese textile industry in recent years

The synthetic fiber industry in Taiwan underwent structural changes in the last ten years of global economic recovery. Synthetic fiber manufacturers chose to refine and specialize their product in an effort to distinguish Taiwan from the mass market in Mainland China.

The Mainland Chinese polyester, nylon, and synthetic fiber industries relied on an expanding domestic market and the support of government policy to develop a vertical production model that spans the upstream raw material supply of PTA, MEG, and CPL; polymerization spinning plants, and DTY manufacturing. This has grown to include knitting, dyeing, finishing, and apparel production throughout the entire textile industry.

Looking back at Taiwan, amidst a turbulent global economic climate and the uncertain policies of the Trump administration, the petrochemical textile industry continues to feel the effects of the U.S. China trade war and COVID-19 outbreak shock. There has been a resurgence of the Taiwanese textile sector; however, the expansive shadow of Mainland China looms over the entire industry.

The following is an economic overview of the upstream, midstream, and downstream industries responsible for Zig Sheng’s main products (polyester DTY, nylon filaments, nylon chips) followed by an analysis of related product development trends.

① Economic outlook of the synthetic polyester fiber industry

Industry Overview	
Upstream Synthetic Fiber Industry	Taiwan is no longer an industry leader since synthetic fiber manufacturers in Mainland China continue to develop a vertical production model that encompasses the upstream petroleum industry. However, the fact that Mainland Chinese POY still cannot be exported to Taiwan will provide some relief to Taiwanese POY manufacturers. Taiwanese POY manufacturers have started acquiring DTY machines to compete with the DTY industry and the recent closures of POY manufacturers TUNGHOA , YI JINN and TUN YUN have led to a price rebound due to inefficient supply. The Taiwanese POY industry has managed to reverse losses, but raw material shortages still create problems. Zig Sheng recently purchased polyester spinning machines to produce our own inventory. This will ensure a stable supply of raw material to support diversified product development without competition from raw material manufacturers. Zig Sheng continues to work closely with manufacturers in the raw material supply chain to acquire the raw material necessary for the POY used in our polyester DTY.
DTY Industry	Regional economies are becoming increasingly apparent throughout the world. This presents more and more obstacles to the export of Taiwanese products. Political tensions in Cross-Strait relations, along with labor laws regarding fixed and flexible days off, have restricted breathing room for our industry. Polyester DTY continues to move toward specialized development. Zig Sheng maintains a line of polyester spinning machines as part of a rapid response business strategy that forgoes production of common yarn specifications. Our R&D departments develop their own raw materials; collaborate with downstream fabric mills to create new products, and continuously phase-out outdated equipment. A diverse nylon DTY product line requires the continuous efforts of our own R&D department and vertical integration of the raw material supply. ATY yarn with different cross-sections is produced on various machines and vertical integration of the raw material further ensures a more diverse product. We must keep pace across the industry to create an increased supply. This will increase future competitiveness to maintain profits. As we bid farewell to a mild winter, an increase in raw material supplies has led to a healthy inventory for major brands. Last year, brands were rather conservative in the wake of global lockdowns, decreased petroleum exports, and increased raw material prices caused by the Coronavirus Pandemic.

Industry Overview	
Downstream Fabric Mills	Outsourcing has become commonplace throughout the industry. There is increased awareness about the importance of sustainable practices; and production costs at dyeing and finishing plants have increased. The quality of commodity fabric and common specifications has seen the greatest decline. Taiwan has moved into a higher pricing tier and started to create specialized, diversified products to fulfill downstream orders. Raw material prices reached their lowest point this year due to the Coronavirus Pandemic. There was decreased demand from brick and mortar stores with only online marketplaces and large retailers showing growth. A rapid response business strategy, when combined with the exchange of information across R&D, apparel sales, and brands, presents a major opportunity for growth this year, thanks to increased end-user demand for functional apparel. We must to collaborate with downstream brands to continue creating functional and fashionable products required by the market in order to secure a financial future and remain competitive.

② Economic outlook of the nylon industry

Industry Overview	
CPL	COVID-19 brought strong impact for all industries in 2020. Drastically reduced consumption in the first half of the year indirectly influenced production volume. Downstream sluggish demand once caused caprolactam, nylon and fiber production come to halt. When demand picked up slightly in the third quarter, previously over reacted production cut resulted to overall lack of materials across nylon industry. Widespread port closure, elevated measures of quarantine regulation at the ports, and lack of container worldwide deepens raw material shortage up and down the nylon industry, especially for companies that relies on caprolactam imports. Material shortage often results in price increase. Yearend caprolactam price was near 60% increase compare to the valley in 2020. When consumer activities returns to normal, expectance of material shortage would lead to over purchase and eventually overstocking. This chaos may subside only when COVID-19 become a past. Until then nylon industry price increase may still be present.

Industry Overview	
Nylon Chips	The Mainland Chinese textile industry continues to develop polymerization technology and propose new plans for expansion. A large influx of nylon chips will increase the internal consumption ratio of Mainland Chinese manufacturers. Taiwan will need to pursue a high value and rapid response business strategy as a singular path to success. We will need to use small batches and multiple production lines to develop diversified products that distinguish Zig Sheng from Mainland Chinese manufacturers. As Mainland China continues to advance, the company will need to reduce dependence on the Mainland by expanding into new product markets. The stable Japanese market, along with the Indian and Southeast Asian markets, presents many viable opportunities.
Nylon Yarn	The momentum behind Mainland China and India is being felt throughout the industry. The CHAINLON polymerization plant has been sold to SINOPEC. KOLON, a Korean chemical and textile manufacturer, has closed. Taiwanese firms TA SHENG AND ACELON have both closed their ATY plants. However, Zig Sheng is enjoying a broader customer base since expanding our product lines. The company will avoid competition with Mainland China by continuing to expand and distribute foreign sales. Our product lines will continue moving toward ultacoarse denier and ultrafine denier multifilament yarns. A small shift in focus from the highly competitive Mainland Chinese market towards high value markets in Europe, the U.S., and Japan has yielded slight results; however, Zig Sheng continues to operate in a rather difficult environment. We hope to use our proprietary polymerization technology to develop new recycled, water-conserving, moisturizing, and anti-odor products that will help to reverse losses.
Downstream Fabric Mills	Zig Sheng is the largest and most competitive manufacturer of coarse denier industrial fabric in the Taiwan Strait. The company collaborated with downstream spinning plants and fabric mills to become the largest high-end industrial fabric supplier in the industry. Downstream customers at Korean chemical and textile manufacturer, KOLON, all purchased raw materials from Zig Sheng. Fabric mills have enjoyed stable profits throughout the entire year because most POY remained at a low price point. The majority of mid and low denier fabrics, which have faced price cutting, outbid orders, and polyester replacement by

	Mainland Chinese firms, offer no clear business opportunity. However, high quality circular knits/ultrafine denier down fabric has remained stable. In recent years, fabric mills have started replacing machinery to support a small number of diverse products that are set apart from competitive Mainland Chinese markets. Zig Sheng has seen positive expansion in home furnishings, functional apparel, yarn for Velcro, yarn for ribbon, and ATY with different cross sections; as well as new customers in emerging markets. Downstream fabric mills are facing an uncertain economic climate, but a broader customer base allows Zig Sheng to keep up momentum despite low prices.

③ Overview of nylon compounding material market

In 2020, due to the COVID-19 epidemic, it effects global supply chain, compounding customers who are in different industries showed extreme differences. Some industries which caused people clustered, such as ball sports, were suspended, but petrochemical industry, textile industry, and outdoor consumer products such as the bicycle industry, had grown against the trend at the end of Q2, 2020. In particular, due to proper control of the COVID-19 epidemic in Taiwan, let Taiwan industry can produce and supply stably. Also, technology and products quality of Industry are excellent, were trusted by all over the world customers, the sales of compounding material industry in Taiwan are stable or small growth in 2020. Zigsheng compound Material has achieved 124% sales growth in 2020, because long-term devote time and effort in sales channel and brand.

④ Product development trends and scope of competition

Zigsheng continues to improve our production lines following the collective, albeit disorderly, expansion of manufacturing in Mainland China. The company has shown promising results in regions outside the Mainland. Annual production volume is slightly smaller than this time last year but our added-value has increased. As quality and volume continues to improve, Zigsheng will be able to enter stable long term contracts with foreign and domestic customers to strengthen the nylon industry.

The market for Taiwanese nylon is slowly disappearing in China. Zig Sheng should not postpone the development of new markets or product applications. The company has had some progress in recent years, but continuing to reduce our export volume to Mainland China and reducing dependence on textile applications will help our nylon chips and nylon yarn to reach long term sales goals. Food packaging, industrial materials, and spare automotive parts will become part of future mainstream markets. Zig Sheng is already performing well in these areas.

5.1.3 Overview of Technology and R&D

5.1.3.1. 2019 R&D budget and R&D budget at printing of this report

Unit：NT$ thousands

Project	2020	1Q2021
R&D Budget (Including equipment investments)	46,274	10,776

5.1.3.2. Successfully developed technologies and products

(1) DTY

①Gradually phased out old machines to increase production capacity and product quality while reducing 2nd quality inspections.

②Developed more POY to produce nylon, polyester, CD polyester and keep pace with change.

③Added ATY machines that are operating at capacity to allow vertical integration of our own raw material. This production model has been tested with polyester and nylon to create a more diverse product line. Vertical integration of raw material in elastic and compound manufacturing will provide customers with greater selection and more collaborative opportunities.

④Created added-value for downstream customers by using diversified machinery and technology to change the characteristics of our fibers. This provided increased profit margins for Zig Sheng and created a mutually beneficial business model.

⑤Rigorously developed new products, including Pufy, Nicecool, Miltititi, Zibra, and Magicil, branded with a Zig Sheng logo to strengthen our branding and create a sales model emphasizing collaborative development with foreign brands.

⑥Our highly absorbent nylon with excellent hand feel, heat dissipation, cooling, anti-microbial, and cosmetic properties was selected for use by high-end hosiery brands.

⑦Promoted fabric with moisturizing collagen, anti-odor, softness, and form fitting properties.

⑧Developed conventional ultrafine denier DTY; Two-toned ultrafine denier DTY is under development; Added recycled bottle polyester to products like recycled heather, striped heather, and Magicil.

(2) Nylon filament

①Improved machinery in response to demand for high density industrial belt yarn, fishing nets, and Velcro.

②Ultrafine denier high filament yarns were used to increase tensile strength in response to demand for lighter products by foreign brands.

③Continued to develop earth friendly functional products, dope-dyed yarn, deep-dyed yarn, antimicrobial yarn, GRS recycled yarn, hydrophilic cooling yarn, anti-odor collagen yarn etc.

④Improved quality of nylon monofilaments to increase competitiveness.

⑤Coordinated with our ATY/N DTY factories to produce diversified products.

⑥Due to decreased demand amid the Coronavirus Pandemic, spinning plant 2 was shut down to save on high production costs. Spinning plant 1 was consolidated to produce a made to order inventory.

(3) Nylon chips

①Functional chips, collagen chips, and Ultra High Flow Nylon have entered Zig Sheng’s main product lines. Deep-dyed nylon, which increases the richness effectiveness, and hydrophilic properties of deep-dyed fabric, has great marketing potential. The product has already received customer approval and is under production.

②Zig Sheng was not able to enter a saturated food packaging market last year. However, the company worked with upstream raw material suppliers and downstream manufacturers to create an exceptional, quality product and stable supply. The product has moved out of development and been ordered by leading global manufacturers including those in Asia. The stable sales volume has opportunities for growth.

③Industry trends indicate that our exceptionally lightweight engineering plastic and nylon have gained a foothold in automotive key and spare parts industries.

④Collaborated with international brands to create various specifications of specialty nylon yarn.

⑤Market expansion has proven effective.

(4) Compounding department

①Compounding department coordinated with the polymerization department to successfully promote the following grades to our customers： fast crystallization and high flow injection grade, medium and high viscosity monofilament extrusion grade, high viscosity for tubing grade. Development of the above grades allowed Zigsheng to become, apart from Japan, the best special engineering plastic supplier in the Asia-Pacific region.

②The department worked with the world's largest bicycle and fishing tackle parts factory to successfully develop high glass fiber content and high-flow grades, while also assisting our customers to simplify integration of these grades.

③The department worked with renowned kitchenware manufacturers to successfully develop many FDA certified nylon grades.

④The department improved the manufacturing process in our recycling departments to develop GRS certified recycled pellets for use in spinning and engineering plastics.

⑤The department trained R&D staff to spur continued development.

5.1.4 Long-term and short-term sales development plan

5.1.4.1 Short-term sales development plan

(1) DTY：

Respond rapidly to customer demand by continuing to develop diverse customized products, while also incorporating vertical integration of our own nylon yarn production to create specialty composite nylon yarn.

Continue to improve DTY and spinning machines in pursuit of a diversified product line.

Manufacturing：Zig Sheng began purchasing additional DTY and ATY machines in 2014 to increase production capacity and meet intense market demand for specialty products. The company will continue to phase out old machinery and complete equipment upgrades from 2020 until Q4 2021. We will leverage increased competitiveness in the DTY sector to close the gap between our competitors.

Marketing：Zig Sheng will pursue the European home furnishings market or widespread development of functional DTY for leading sportswear brands. In response to the rise of the ASEAN nations and regional economic protectionism, Zig Sheng will look to Southeast Asian nations as a means to expand domestic sales.

(2) Nylon sales

① Nylon chips：

Zig Sheng will increase internal consumption of nylon chips and pursue stable growth of nylon chips in the food packaging, foreign and domestic textile, and non-apparel application sectors. This year we will work with leading multinational manufacturers to achieve our goal for a diversified product line. Rapid response and diversified production are the focus of our operations. We will work to reduce our sales volume in China and expand our market share in Southeast Asia, Northeast Asia, India, and other emerging markets. We will reduce our product applications in the textile sector while increasing applications in the food packaging, automotive, and engineering sectors.

② Nylon yarn：

- The blind expansion of Mainland China has restricted production capacity and cash flows in the textile sector. Zig Sheng is certain to be affected by the current business climate; but the company will enjoy a broader customer base by expanding the scope of our products. As Zig Sheng strives to restructure our products, expand our markets, and distribute our foreign sales, we expect to maintain our production capacity at equilibrium this year and rebound from previous losses.
- Our two spinning plants will move towards developing specialty ultracoarse or ultrafine filament yarn and maintain an operating capacity above 90%.

③Compounding department：

At present, although the order is saturated, our strategy is to continue to receive more new orders and develop new customers, and to outsource some stable and low-level grades to two OEMs factory to increase sales quantity and lower management and sales expense. Due to COVID-19 epidemic cause marketing chaos, it is a good chance to expand business territory.

5.1.4.2 Long term sales development plan

Long term development of the textile industry is restricted by the lack of resources in Taiwan; sustainability concerns including carbon emissions, earth friendly policy, energy conservation, waste reduction, and recycling; and the impact of regional economies.

(1) DTY：

Pursue specialized, diverse, green products in line with international trends.

Cooperate with upstream raw material manufacturers and downstream customers along brand supply chains to collectively develop new fashion forward trends.

Work with upstream manufacturers to develop recycled, dope-dyed polyester filament yarns and high performance, light-resistant yarn-dyed DTY with excellent color fastness to washing.

Reduce downstream processing during dyeing and finishing to comply with sustainability policies that conserve energy, save water, and reduce dyeing steps in order to help our planet.

Increase polyester POY spinning machines and produce diversified raw materials to increase competitiveness

Spreading our spinning machines across three factories may slightly increase production costs, but this strategy is appropriate for a market that requires rapid response and shorter lead times.

(2) Nylon Sales：

① Nylon yarn：

- Forgo competition over commodity specifications; increase the sale of circular knitting yarns; develop functional products, dope-dyed yarn, and recycled nylon; and meet demand for energy saving, sustainable products.
- Increase foreign sales ratio in regions other than Mainland China to consistently maintain production at equilibrium.
- Participate in business organizations and online meetings to expand and distribute our foreign markets despite the ongoing Coronavirus Pandemic.
- In response to the trend of form fitting clothes, work with customers in the hosiery and lingerie sector to collectively develop new products and diversify these products to increase market share.
- Work with customers at international brands to meet demand for high quality, high tenacity ultrafine denier yarns.

② Nylon chips：

Compound plastics were created in response to a growing energy crisis and the need for lightweight, energy saving products. Nylon chips are one of the fastest growing raw materials in the engineering plastics sector. Engineering plastic consumes less energy than the production of metal components and can be used as a substitute for metal in automotive and motorcycle parts, pneumatic tools, sports equipment, electronics, and electronic equipment.

We must confront European and American opposition to price dumping and Mainland Chinese sales. Our goal is to propose more collaborative projects while continuing to expand sales in regions other than the Mainland.

Another important project is working with advanced nations to expand the sale of food packaging applications.

③ compounding material：

- Enhance development of new grades and increase recognition by major customers.
- Pursue consistent and long-term development of certified grades, including UL certified flame retardant grades etc.
- Participate in plastic exhibitions and coordinate with distributors in order to expand foreign markets in the U.S., India, Southeast Asia, Australia and New Zealand.
- Develop and promote plastic compounds other than nylon compounds.

5.2 Overview of market, production, and sales

5.2.1 Market analysis

5.2.1.1 Sales region of main products

Unit：NT$ thousands

Region \ Year	2019		2020	
	Subtotal	Total	Subtotal	Total
Domestic revenue		7,099,248		4,640,224
Foreign revenue		4,742,129		3,035,383
Europe	38,295		8,702	
North America	217,233		93,761	
Africa	56,987		48,816	
Oceania	8,852		9,257	
Southeast Asia	838,841		815,379	
Northeast Asia	1,422,314		868,822	
Other Asian Regions (including Hong Kong and Mainland China)	2,159,607		1,190,646	
Total Revenue		11,841,377		7,675,607

5.2.1.2 Market share in 2020

Product Line	Zigsheng Sales Volume (tons)	Taiwan Annual Sales Volume (tons)	Market share (%)
DTY	33,790	428,089	7.89
Nylon Yarn	21,800	153,014	14.25
Nylon Chips	75,385	225,521	33.43

Source：Taiwan Man-made Fiber Manufacturing Industries Association

5.2.1.3 Overview and growth potential of future market supply and demand

(1) DTY / Polyester filament

Mainland China has rapidly expanded in the last ten years and become the world's largest producer of polyester filament and DTY. The planned economy ensures that polyester products continue to experience 10% annual growth. Mainland China has already achieved vertical integration of PTA, MEG, and the petrochemical industry. This model will grow to include nylon products within the next two years. In contrast, Taiwan has experienced a recent industry transition where brands require fabric mill suppliers to open factories in Southeast Asian nations for local deliveries. This emerging economic framework in the ASEAN nations has reduced the possibility that downstream fabric mills will use raw materials from Taiwan.

The massive outbreak of COVID-19 in Mainland China has spread around the world leading to a policy of isolationism in many countries. Future development is rather unpredictable due to store closures by major brands. The phase-out of outdated DTY machines is also driving increased competition throughout the industry. Mainland China, now facing excess supplies greater than domestic demand, has contributed to price dumping that threatens Taiwan's major export markets in the ASEAN nations, Central and South America.

Recent expansion and DTY equipment upgrades across the Taiwanese textile sector may threaten a hard won equilibrium in domestic sales. The largest concern for Taiwan is that the island is almost always excluded from regional economies taking shape around the world. The tabling of the TPP has done little to delay the inevitable outsourcing of factories in upstream and downstream industries. The RCEP proposed by China also offers no financial opportunities for Taiwan. A diversified product line is the only choice to secure a financial future amidst an insufficient domestic workforce, an end to government regulations regarding fixed and flexible days off, power outages, insufficient power supplies, rising prices, staffing shortages, protests against fossil fuels, and fluctuating exchange rates.

(2) Nylon Chips and Yarn

The massive expansion of CPL and nylon chip production in China has led to decreasing annual imports of nylon chips; aside from special low viscosity or special specification chips that must be imported. Zig Sheng saw promising results this year when expanding into new markets and product areas. The company reduced indirect or direct sales volume to China by 30% while increasing our overall market share.

The global market for nylon yarn experienced a year of low demand and excess supply with little profit in 2019. The nylon department is focused on developing high-end ultrafine denier apparel yarns and strengthening applications for coarse denier industrial yarns, while avoiding competition from Mainland Chinese products. If brands are willing to use competitive Taiwanese raw materials in the ASEAN nations, Central Asia, India, and Central and South America, then Zig Sheng could use the large local workforce to create an alternative market outside Mainland China.

(3) Compounding department

Due to the COVID-19 epidemic and global climate abnormalities, the market supply and demand are out of order. From Q3,2020, raw materials price have continued to rise and kept shortages, and freight cost have continued to rise...etc. These series of events has caused an increase of orders in the short term, but it is not a good phenomenon of development in the long term. It caused more difficult to predict the future of the industry. The affected global industry state showed the importance of stable and reliable local distributors. With the current strong production, sales channels and the good brand image of our department in many years, both the supply and demand of the market will have a better advantage in the future.

5.2.1.4 Competitive strategy

(1) Establish long-term partnerships with upstream CPL, polyester chip, and filament suppliers to not only ensure a stable supply of raw materials but also to increase competitiveness by quickly acquiring industry information through exchanges with international brands.

(2) Continue to research and develop diversified production, and use high value products to establish a core competitive strategy in the market.

(3) Pursue and implement quality products; manufacturing controls; and automated warehouses that quickly and effectively manage inventory. Maintain product quality and volume, respond rapidly, and provide customers with the best possible product.

(4) Establish a stable financial structure, monitor industry development, and embed the industry.

(5) Phase-out and improve equipment to remain competitive.

(6) Integrate our branding and sales while providing new products to create collective value.

5.2.1.5 Benefits and risks of long term development and mitigation strategies thereof

(1) Benefits

At a time when oil prices are low and the global economy enters a period of recovery：

①Poor operating conditions in Mainland China, including pollution, shifting logistics, insufficient workforce, insufficient capital, and environmental concerns, will cause slack in the production line. This will benefit Taiwanese industries focused on product quality, lead times, effective service, and R&D.

② While Mainland China and Taiwan both have nylon chip plants, nylon production is unique in that the industry requires advanced technology, substantial investment, and personalized service. Mainland China may absorb most commodity product; however, Taiwan has extensive production, sales, and R&D experience that will absolutely remain competitive.

③Nylon applications have expanded into areas including home décor, industry and engineering, food packaging, and automotive or motorcycle parts; especially in areas where the application of engineering plastic continues to replace traditional metal components.

④Taiwan is still a leading competitor in terms of the price and quality of nylon chips or yarn.

(2) Risks and mitigation strategies thereof

① In recent years, fast moving international capital and changes in the global economic climate have contributed to large fluctuations in crude oil prices. The global price of raw materials has responded accordingly. Zig Sheng imports almost 50% of our main raw material CPL. Shipping times require that the company maintains a steady inventory. A change in CPL prices can have a substantial impact on our production costs and profits. Zig Sheng will adopt the following mitigation strategies in response to these risks：

- When purchasing raw materials, Zig Sheng will apply the scaling effect, manage shipping times, and strengthen inventory controls to avoid excess capital.
- Coordinate orders with the sales department to allow for strategic buying when raw material prices are low and to calculate fixed gross profit margins in a timely manner. This will solve issues caused by changing raw material prices due to fluctuations in the price of crude oil.
- Avoid the risk of sharp increases or sudden drops in raw material price cycles by coordinating with suppliers to price per shipment.

②The Asian FTA (ASEAN +3) will impose tariffs on Taiwanese products sold on the Asian market and could seriously impact exports. The RCEP, proposed by Mainland China as an alternative to the tabled TPP, is also not advantageous to Taiwanese foreign sales.

③The risk of currency fluctuation

The mainland value-added tax has been reduced from 16% to 13% to encourage export competition. In recent years, the proportion of export sales is 40%, and the company's imported raw materials account for 65% of the raw material procurement. Therefore, the fluctuation of the foreign exchange rate has a considerable impact on the company’s profit. In addition to adopting automatic hedging, the company adopts the trend of Taiwan’s economic growth, regardless of whether the Taiwan dollar should appreciate or depreciate slowly in the future. Under the principle of hedging, Jisheng has been within control of its exchange gains and losses in recent years. Since the fourth quarter of 2008, the weak US dollar policy has led to a large appreciation of Asian currencies. In 2020, the Taiwan dollar has appreciated by nearly 7.5%. Due to the proper response, the company has not incurred any exchange losses.

④Anti-dumping accusations

The Mainland Chinese Ministry of Commerce has filed anti-dumping suits on Nylon 6 chip markets in Taiwan, America, and the European Union for more than five years. Chinese purchasing volume has decreased in Taiwan over the years despite the fact that Taiwan offers a quality product. When combined with complicated anti-dumping duties in Europe and America, Taiwan has enjoyed a rather favorable business environment.

Commodity specifications of Taiwanese nylon chips will be replaced by Mainland China in the coming years. However, high-value, specialized products such as full-dull, bright, and specialized application chips still offer promising opportunities. Decreasing production volume across Europe and America will bring OEM opportunities to both sides of the Taiwan Strait, but Zig Sheng should not be too comfortable with this situation. The volume of Mainland Chinese products will continue to increase. Taiwan needs to implement long term structural changes, innovate, and increase competitiveness while avoiding the Mainland Chinese market. Developing new applications is the only way to keep pace with the rise of our Mainland Chinese competitors.

⑤The capacity of nylon chip production will continue to expand in Mainland China leading to reduced imports and a healthy increase in exports.

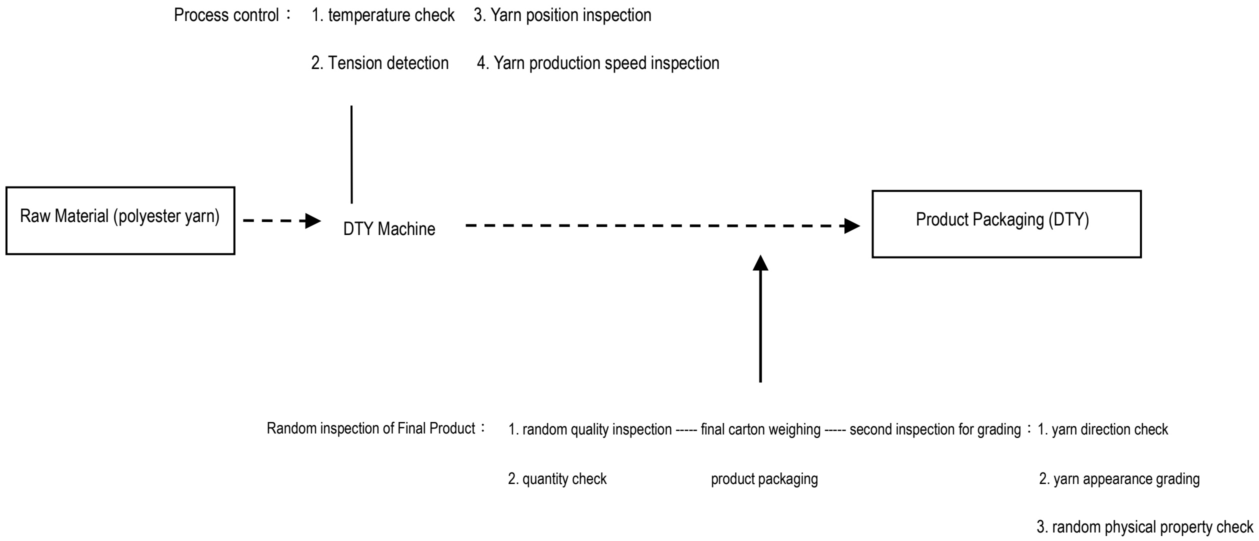
5.2.2 Production Procedures of Main Products

5.2.2.1 Major Products and Their Main Uses

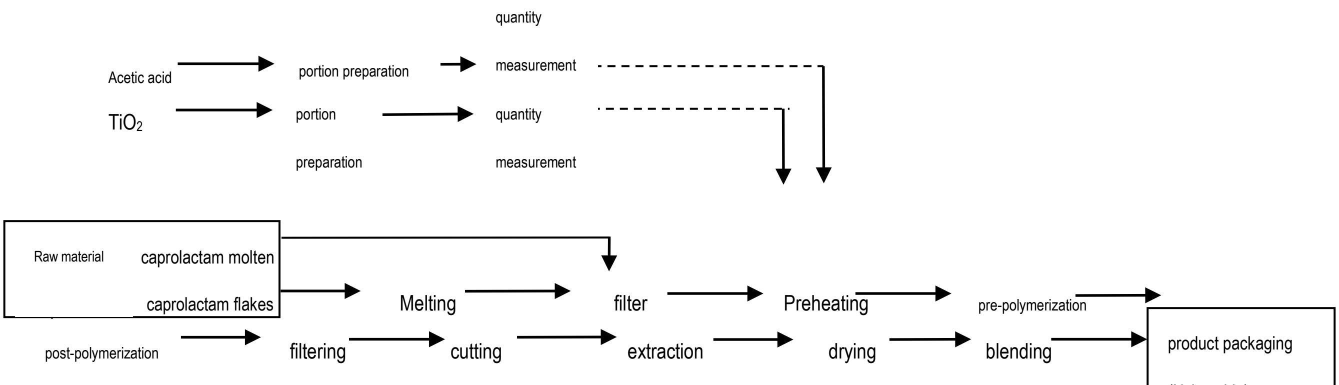
Product Line		Main application	
polyster and nylon DTY	Finished DTY	circular knitting, curtains,industrial conveyer belts, and woolen knits	
	Stretch polyester DTY	high-fashion suits and gowns	
	Dual or tri-colored polyester yarn for synthetic wool	High-fashion suit pants	
	High stretch polyester DTY	Stretch denim and athleisurewear	
	High elastic Stretch yarn	Leotards and swimwear	
	Cationic DTY	Mens and womens apparel	
nylon yarn and spinning cones	Filament apparel(fabric)	warp knitting	clothing, bedsheets, nets, linings, footwear and hats,toy fabrics
		circular knitting	sportswear, towels, formalwear, leotards
		weaving	apparel fabric, interior design fabric, umbrella fabric
	Industrial (fabric)	suitcases, tire cords, fishing net, carpet	
	Staple Fiber	Non-wovens,nylon cotton blends, nylon wool blends	
Engineering plastic and nylon cones	Automotive Parts	cooling fans, door handles, gas caps, grilles, light bases, radiator covers	
	Industrial Parts	stroller seats, bicycle frames, ice skate soles	
	Electronics and Devices	Cellphone cases, connectors, cable windings, timers, circuit breaker covers, nylon piping for hydraulic systems	
	Packaging Materials	food packaging films (eg., dried fruit and freshly frozen food)	

5.2.2.2 Major Products and Their Production Processes

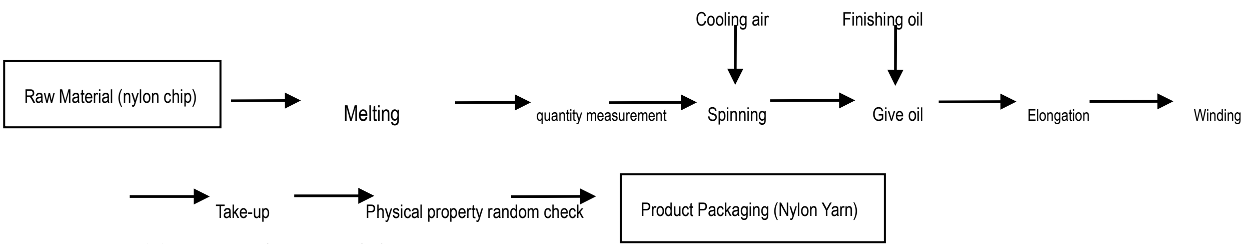
(1) DTY



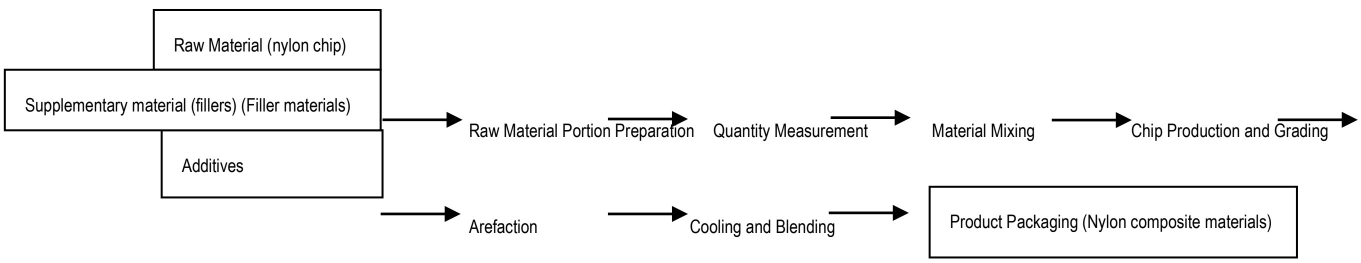
(2) Nylon polymerization



(3) Nylon Yarn



(4) Composite material



5.2.3 Overview of main raw material supply

5.2.3.1 DTY raw material

(1) Zig Sheng produces and consumes all nylon filaments used in our DTY. The company combines production of our own diverse nylon chips with proprietary spinning technology to keep production costs affordable. We produce our own specialty yarn (the second phase of production is to be completed by Q1 2020) but not for external sale. This ensures a specialized competitive advantage that yields comprehensive results.

(2) The first phase of our polyester spinning plant expansion was completed in Q4 of 2019. Zig Sheng currently produces 2/3 of our own supply; while 1/3 is developed as part of a stable partnership with upstream manufacturers. The exceptional quality supports the sale of sustainable (energy saving, easily dyed, and deep-dyed) functional yarns, including recycled DTY and dope-dyed yarn, and has performed quite well. In the future, Zig Sheng will develop internal production of two-toned, multi-colored, composite, or recycled CD yarns.

(3) Zig Sheng will increase the scope of our ATY products by producing our own nylon filaments, purchasing nylon 66 filaments from foreign and domestic spinning plants, and purchasing polyester filament from domestic spinning plants.

5.2.3.2 Nylon raw material：CPL

Zigsheng’s main supplier of caprolactam is CPDC. What CPDC cannot supply will be imported. To minimize price fluctuation risk during the caprolactam import lead time, Zigsheng will prioritize near shore source over deep sea cargo.

5.2.3.3 Compounding department

PA6 resin, the main raw material in the PA6 compound, is all produced internally. Production of the PA6 compound accounts for nearly 85% of total capacity. Our PA66 resin is mainly acquired from domestic supplier GPPC with some quantity imported from foreign brands. The supply of the PA66 compound is stable and makes up 5% of total capacity. The main supplier of our PP resin is Taiwan Chemicals and the PP compound stands at 10% of total capacity. We enjoy a relatively stable supply of other raw materials, such as ABS, additives, and fillers, which are mainly acquired from domestic suppliers.

5.2.4 Name of customers accounted for more than 10% of total purchase/sales amount of the company in the most recent two years or in any year and the purchase/sales amount and ratio thereof

5.2.4.1 Main sales customer information

Unit： NT$ thousands

Item	2019				2020				1Q2021			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	None	None	None	None	None	None	None	None	None	None	None	None
	Others	11,841,377	100.00	None	Others	7,675,607	100.00	None	Others	2,363,278	100.00	None
	Net Sales	11,841,377	100.00		Net Sales	7,675,607	100.00		Net Sales	2,363,278	100.00	

Note：The name of the customer shall not be disclosed due to the contractual agreement, but expressed by the code name.

5.2.4.2. Main supplier information

Unit： NT$ thousands

Item	2019				2020				1Q2021			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	JS145	3,421,922	37.67	None	JS145	1,268,805	24.47	None	JS145	677,166	38.54	None
2	None	None	None	None	SB034	619,087	11.94	None	None	None	None	None
3	None	None	None	None	YT006	600,001	11.57	None	None	None	None	None
	Others	5,662,197	62.33	None	Others	2,697,508	52.02	None	Others	959,792	61.46	None
	Net Total Supplies	9,084,119	100.00		Net Total Supplies	5,185,401	100.00		Net Total Supplies	1,636,958	100.00	

Note：The name of the customer shall not be disclosed due to the contractual agreement, but expressed by the code name.

5.2.5 Production in the Last Two Years

Unit：metric tons, NT$ thousands

Major Products (or by department) \ Output \ Year	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
DTY	53,800	48,308	3,559,878	49,800	32,528	2,181,631
Nylon Yarn	48,000	39,914	3,019,573	50,400	38,732	2,084,236
Nylon Chip	200,400	136,028	7,687,319	135,000	104,111	4,329,728
Compounding	10,200	9,250	592,547	10,200	9,786	510,507
Others	0	1,856	67,414	0	2,825	71,590
Total	312,400	235,356	14,926,731	245,400	187,982	9,177,692

5.2.6 Shipments and Sales in the Last Two Years

Unit：metric tons, NT$ thousands

Major Products (or by departments) \ Shipments & Sales \ Year	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
DTY	40,614	3,178,845	7,106	635,961	30,027	2,293,402	3,763	297,577
Nylon Yarn	24,624	1,753,359	4,687	405,560	17,916	1,026,429	3,884	285,881
Nylon Chip	34,219	1,896,449	58,882	3,376,112	24,708	1,017,055	50,677	2,106,829
Compounding	4,023	265,649	4,426	322,034	4,569	273,871	5,714	339,155
Others	250	4,946	2	2,462	1,336	29,467	33	5,941
Total	103,730	7,099,248	75,103	4,742,129	78,556	4,640,224	64,071	3,035,383

5.3 Human Resources

Year		2019	2020	As of March 31, 2021
Number of Employees	Staff	449	440	456
	Technician	215	199	184
	Ordinary worker	747	628	610
	Total	1,411	1,267	1,250
Average Age		38.77	40.10	40.24
Average Years of Service		9.24	10.42	10.59
Education	Ph.D.	0.28%	0.32%	0.32%
	Masters	2.97%	3.16%	3.04%
	Bachelor's Degree	60.60%	60.61%	60.40%
	Senior High School	25.73%	25.65%	26.08%
	Below Senior High School	10.42%	10.26%	10.16%
Total		100%	100%	100%

5.4 Environmental protection expenditure information

5.4.1 In the most recent year and as of the printing date of the annual report, losses suffered due to environmental pollution (including compensation and environmental protection audit results that violate environmental protection laws and regulations; specify the date of punishment, the punishment code, article numbers of legal provisions violated, contents of legal provisions violated and contents of punishment)：

"Matters breaching environmental protection laws and regulations and countermeasures"

Item	Date of punishment (Date of violation)	Punishment code	Article numbers of legal provisions violated	Contents of legal provisions violated	Contents of punishment	Is the improvement completed?	Countermeasures
1	June 30, 2020 (March 11, 2020)	Fu-Huan-Ji No. 1090613995	Item 2, Article 24 of the Air Pollution Control Act	Your plant has obtained the license issued by us for the fixed pollution source operation of the plastic extrusion or blown film molding program - extrusion molding (M06) (Tsao-Cheng No. H5588-02); after the inspection by the personnel of the Environmental Protection Bureau on March 11, 2020, it was found that the pressure drop of the cyclone separator (A605) was 12.98 mbr (the allowed range is 1~88 mbr), and the operation was not carried out in accordance with the contents of the previous license, the operation was not carried out in accordance with the contents of the previous license.	① The deadline for improvement is April 13, 2020. ② The penalty is NT$100,000. ③ Environmental training for 2 hours.	Improvement completed.	Immediate improvement countermeasures： 1. The electronic digital differential pressure gauge unit was immediately converted to the "mbar" unit. 2. The A605 operating pressure was restored to the allowable range of 1~8 bar. Prevention and correction measures： 1. Every day, the morning, mid-day, and evening shift team leaders personally take pictures of the A601~A605 dust collection equipment and confirm the operating pressure, and upload the work link results to the day shift officer for confirmation, as attached.

Item	Date of punishment (Date of violation)	Punishment code	Article numbers of legal provisions violated	Contents of legal provisions violated	Contents of punishment	Is the improvement completed?	Countermeasures
							2. The day shift officer reconfirms whether the operating pressure and unit value of each control equipment are correct.
2	January 7, 2020 (November 25, 2019)	Fu-Huan-Ji No. 1090004027	Item 2, Article 24 of the Air Pollution Control Act	Your plant has obtained the license issued by us for the fixed pollution source operation of the polyamide plastic (nylon) manufacturing procedure (M03) (Tsao-Cheng No. 4156-04); after the inspection by the personnel of the Environmental Protection Bureau, it was found that the exhaust gas generated in the pelleting system area (E301) was not collected in a sealed way, and escaped into the atmosphere (the collection method registered in the license is sealed collection); the operation was not carried out in accordance with the contents of the license.	① The deadline for improvement is December 25, 2019. ② The penalty is NT$100,000. ③ Environmental training for 2 hours.	Improvement completed.	A cover is used to close the opening.

5.4.2 Expected environmental protection capital expenditure in the future：

5.4.2.1.The new pollutant emission standard was announced on September 19, 2018. In order to maximize the energy utilization rate, achieve the goal of saving energy consumption, and improve the air pollution by Nox and Sox emissions, the pollution prevention equipment for the coal-fired steam boilers of the Guanyin Plant 2 and Plant 3 was added, with an estimated expenditure of NT$21.6 million; the operation of the oil-fired steam boiler at the Dayuan Plant was not-in-used, and a new tubular steam boiler equipment (natural gas) was added to improve the air pollution by Nox, Sos, and SS emissions, with an estimated expenditure of NT$2 million. The project can be completed and accepted between 2021 and 2022.

5.4.2.2 Natural gas is a clean energy source. During its combustion, no sulfur oxides (Sox) are produced and the carbon dioxide (CO2) emission is reduced by 30% and nitrogen oxides (NOx) reduced by 50%, thus greatly improving the environmental pollution problem. Therefore, the company has set a total of NT$12 million in 2020 to change the boiler's heavy oil fuel to natural gas, and the change is expected to be completed in 2021. In addition to compliance with the current government's promotion of the national energy policy and reduction in the formulation of various regulations for global greenhouse effect issues, a fuel cost of about NT$2.5 million can be saved every year.

5.4.2.3 In response to the stricter provisions of environmental protection laws and regulations with some newly added water quality items and limits of the discharged water, works such as ammonia nitrogen degradation equipment systems will be established to comply with the latest environmental protection regulations. In addition, the MBR module and EDR resin membrane set will be regularly replaced and cleaned to maintain the quality and quantity of reclaimed water. The estimated expenditure for the above is about NT$45 million. The MBR and EDR of other major wastewater treatment and reclaimed water recycling systems and the sludge dryer system are still in normal operation, and future environmental protection expenditures will be directed towards continuous improvement and sustainable operation.

5.5 Labor-management relations

5.5.1 Various employee welfare measures, advanced study, training, retirement systems and their implementation status, as well as the agreements between labor and management and various employee right protection measures

5.5.1.1 Employee welfare measures

(1) Generous year-end bonus and dividends.
(2) Labor and health insurance and group accident insurance.
(3) Three-festival and birthday gift money.
(4) Travel vouchers and dinner subsidy.
(5) Children's scholarships and grants.
(6) Uniforms for plant personnel every year.
(7) The plant provides three meals free of charge, and there are central air-conditioned suite-style dormitories.
(8) The plant has an activity center and provides a number of leisure and entertainment facilities.

5.5.1.2 Employee compensation

(1) In accordance with the company's regulations QP-H-14 Year-end Bonus and Employee Compensation Payment Method.
(2) The company’s operating direction has expanded to a professional nylon chip chemical plant. The management affirms that "professional talents" are the lifeblood of the company’s survival and development. Therefore, the salary is positioned above the industry standard to make talents stay in suitable places.
(3) In terms of salary payment, it is based on long-term stable development, product quality and efficiency, competitiveness in the industry and the company’s ability to pay, and the total annual income is the basis for consideration.
(4) Remuneration for management and professionals is assessed and evaluated by the management based on the unit contribution and personal work performance.

5.5.1.3 Employee leave

In compliance with the provisions of the Labor Standards Law and the company's regulations QP-H-03 Practitioners’ Work Rules. Employees are entitled to various vacations as required by law.

5.5.1.4 Staff training

In order to comply with the company's long-term development and improve the quality of employees, the company has formulated the "Training Management Measures" and built it into the ERP system, and planned the following talent training courses for pre-employment and on-the-job training：

General training：	Company profile and cultural concept introduction... and other training.
Professional training：	Management system, relevant laws and regulations and professional knowledge, etc.
Management training：	Company organization and industry introduction, product knowledge, cost concept, computer system introduction, quality system promotion, etc.
Work safety training：	Labor safety and hygiene, fire protection, environmental protection, emergency response, etc.

The company's actual number of employees participating in on-the-job training in 2020 totaled 10,185 person-times (including internal and external training courses). The implementation status is as follows:

Training nature	Training course	Total attendees	Total hours	Total cost (NT$)
On-the-job training	Professional training course	2,702	5,300	86,120
	Management training course	58	91	4,000
	Work safety training course	7,087	17,037	196,210
Pre-employment training	Professional training course	89	12,912	0
Pre-employment training	Professional training course	0	0	0
	Management training course	5	40	0
	General training course	109	285	0
	Work safety training course	135	428	0
Total		10,185	36,093	286,330

5.5.1.5 Retirement system and implementation status

(1) Retirement System

①In accordance with the provisions of the Labor Standards Act, the company formulated employee retirement measures and established the "Labor Pension Supervision Committee" to implement employee retirement matters, and handles employee retirement in accordance with Articles 53 to 58 of the Labor Standards Act (eligibility for application, allocation, supervision, etc.). In addition, 2.5% of the total salary paid is deposited on a monthly basis in the "Special Account for Labor Pension Fund" of the Trust Department of Bank of Taiwan, and pension liabilities are provided according to the actuarial assessment report on pension.

②According to the latest "Labor Pension Act" of May 15, 2019, for employees who choose the new pension system after July 1, 2005, 6% of the total salary will be allocated to the employee pension account established at the Labor Insurance Bureau on a monthly basis, and the employee may apply for a withdrawal at his/her discretion.

(2) Implementation status

①On January 1, 2020, the balance of the special account for labor retirement reserve at Bank of Taiwan was NT$13,825 thousand.

②In 2020, a total of NT$8,145 thousand of the old-system pension was paid by the special account for labor retirement reserve at Bank of Taiwan.

③At the end of 2020, the account reserve fund at Bank of Taiwan was NT$12,946 thousand.

5.5.1.6 Agreement between labor and management：None.

5.5.1.7 Status of various employee right protection measures

(1) Employee safety and hygiene maintenance measures：

①To strengthen the personnel hazard awareness training, the Occupational Safety Office plans to conduct seven occupational safety, hygiene and health care-related courses in each plant area for every two months, and the targets are foreign employees and supervisors in the plant. The course content includes workplace hazard identification and prevention, safety and hygiene practice management, occupational disaster case analysis and advocacy, cardiovascular disease prevention, and training of first-aid personnel in the plant, etc. to enhance the safety behavior and awareness of all employees and reduce the occurrence of occupational disasters.

②Severe special infectious pneumonia (COVID-19) prevention management measures：

Training - Disseminating information to the staff about epidemic prevention and the company's corresponding measures.

Disinfection of the plant area -The public areas of the plant and dormitories are disinfected twice a week.

Health tracking - For the staff who have a history of foreign travel/related contact history/flu symptoms, tracking management and related health education are carried out to avoid cluster infections in the plant.

③To prevent casualties when disasters occur, firefighting and disaster prevention drills for public hazardous goods are conducted in each plant area every six months to ensure that the workers have the survival skills and emergency response measures when disasters occur in order to protect their own safety.

④Work environment measurement (noise, illuminance, carbon dioxide, organic or specialized substances, etc.) and drinking water quality testing are carried out for the workplace environment of employees every six months.

⑤For the health of employees, health management procedures are formulated which are superior to the laws and regulations; a health check and a health check for special operations are conducted every year, and health management is implemented.

(2) In order to maintain gender equality in work and provide employees with a working and service environment free from sexual harassment, the prevention

and treatment measures for sexual harassment incidents are formulated for all employees to follow.

5.5.1.8 Licenses obtained by financial and IT related personnel：None.

5.5.2 List the losses incurred due to labor disputes in the most recent year and up to the date of publication of the annual report (including labor inspection results that violate the Labor Standards Act, the date of punishment, the punishment code, the article numbers of legal provisions violated, the contents of the legal provisions, and the content of punishment), and disclose the estimated amount and corresponding measures that may occur currently and in the future：

The company has not suffered any losses due to labor disputes, and there is no risk of disputes based on the current situation. The company was fined only due to some violations recognized in labor inspections (see the table below). All the fines for the violations listed have been paid in full, and improved measures have been made for the related items to protect the work safety and rights of the staff. The company has been fully coordinating with employees based on the belief of caring for employees and sharing benefits, in order to maintain the current good labor relations.

Item	Date of punishment	Punishment code	Article numbers of legal provisions violated	Description of the legal provisions	Amount of fine	Improvement measures
1	January 9,2020	2020 Fu-Lao-Jian No. 1090005605	Item 2, Article 32 of the Labor Standards Act	The extend working hours were beyond the legal requirements.	NT$150,000	Gradually improving.

5.6 Important Contracts：None.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Comprehensive Income Statement

6.1.1.1 Condensed Balance Sheet - International Financial Reporting Standards (IFRS) –Individual

Condensed Balance sheet

Unit： NT$ thousands

Item \ Year		Five-Year Financial Summary 2016	2017	2018	2019	2020	Year-to-date Financial information on March 31, 2021
Current assets		4,779,647	5,841,466	5,543,063	3,417,422	3,022,198	The company did not prepare the first quarter of 2021 Individual financial report.
Non-current financial assets at fair value through other comprehensive income		0	0	181,459	199,011	208,709	
Financial assets at cost- noncurrent		170,389	178,899	0	0	0	
Investment accounted for using the equity method		14,337	12,926	10,546	15,645	21,392	
Property, plant and equipment		5,939,138	5,525,856	4,856,882	4,746,725	4,735,873	
Right-of-use asset		0	0	0	96,777	77,962	
Investment Property		446,888	440,488	681,111	656,737	645,185	
Other Non-Current Assets		125,789	116,029	180,186	479,317	213,177	
Total assets		11,476,188	12,115,664	11,453,247	9,611,634	8,924,496	
Current liabilities	Before distribution	3,588,166	4,056,429	3,555,483	2,046,791	2,059,440	
	After distribution	3,771,695	4,301,134	3,677,836	2,046,791	(Note)	
Non-current liabilities		307,780	296,420	291,775	364,635	339,187	
Total liabilities	Before distribution	3,895,946	4,352,849	2,411,426	2,411,426	2,398,627	
	After distribution	4,079,475	4,597,554	3,969,611	2,411,426	(Note)	
Equity attributable to Shareholders of the parent		7,580,242	7,762,815	7,605,989	7,200,208	6,525,869	
Share capital		6,117,634	6,117,634	6,117,634	6,117,634	5,500,014	
Capital surplus		360,356	360,356	360,363	360,397	492,157	
Retained Earnings	Before distribution	1,102,265	1,284,836	1.136.278	708,722	668,136	
	After distribution	918,736	1,040,131	1.013.925	708,722	(Note)	
Other equity		(13)	(11)	(8,286)	13,455	26,138	
Treasury shares		0	0	0	0	(160,576)	
Non-controlling interests		0	0	0	0	0	
Total Equity	Before distribution	7,580,242	7,762,815	7,605,989	7,200,208	6,525,869	
	After distribution	7,396,713	7,518,110	7,483,636	7,200,208	(Note)	

Note：The above-mentioned post-distribution figures are based on the resolutions of the shareholders' meeting of the following year. The company's 2020 profit and loss supplement has not been approved by the shareholders' regular meeting, so the figures after the distribution are omitted.

6.1.1.2 Condensed Balance Sheet - International Financial Reporting Standards (IFRS) – Consolidated

Condensed Balance sheet

Unit： NT$ thousands

Item \ Year		Five-Year Financial Summary 2016	2017	2018	2019	2020	Year-to-date Financial information on March 31, 2021 (Note 1)
Current assets		4,794,085	5,857,299	5,557,162	3,438,193	3,045,069	3,595,633
Non-current financial assets at fair value through other comprehensive income		0	0	181,459	199,011	208,709	229,778
Financial assets at cost-noncurrent		170,389	178,899	0	0	0	0
Property, plant and equipment		5,939,138	5,525,856	4,856,882	4,746,725	4,735,873	4,677,110
Right-of-use asset		0	0	0	99,075	78,434	84,035
Investment Property		446,888	440,488	681,111	656,737	645,185	643,898
Other Non-Current Assets		126,338	116,686	180,892	479,613	213,365	294,811
Total assets		11,476,838	12,119,228	11,457,506	9,619,354	8,926,635	9,525,265
Current liabilities	Before distribution	3,588,816	4,059,993	3,559,742	2,053,313	2,061,579	2,266,481
	After distribution	3,772,345	4,304,698	3,682,095	2,053,313	(Note 2)	0
Non-current liabilities		307,780	296,420	291,775	365,833	339,187	339,796
Total Liabilities	Before distribution	3,896,596	4,356,413	3,851,517	2,419,146	2,400,766	2,606,277
	After distribution	4,080,125	4,601,118	3,851,517	2,419,146	(Note 2)	0
Equity attributable to Shareholders of the parent		7,580,242	7,762,815	7,605,989	7,200,208	6,525,869	6,918,988
Share capital		6,117,634	6,117,634	6,117,634	6,117,634	5,500,014	5,316,884
Capital surplus		360,356	360,356	360,363	360,397	492,157	504,947
Retained Earnings	Before distribution	1,102,265	1,284,836	1,136,278	708,722	668,136	1,050,085
	After distribution	918,736	1,040,131	1,013,925	708,722	(Note 2)	0
Other equity		(13)	(11)	(8,286)	13,455	26,138	47,072
Treasury shares		0	0	0	0	(160,576)	0
Non-controlling interests		0	0	0	0	0	0
Total Equity	Before distribution	7,580,242	7,762,815	7,605,989	7,200,208	6,525,869	6,918,988
	After distribution	7,396,713	7,518,110	7,483,636	7,200,208	(Note 2)	0

Note 1： The financial report for the first quarter of 2021 has been reviewed by an accountant.

Note 2： The above-mentioned post-distribution figures are based on the resolutions of the shareholders' meeting of the following year. The company's 2019 profit and loss supplement has not been approved by the shareholders' regular meeting, so the figures after the distribution are omitted.

6.1.1.3 Comprehensive Income Statement - International Financial Reporting Standards (IFRS) - Individual

Condensed Comprehensive Income Statement

Unit： NT$ thousands

Item \ Year	Five-Year Financial Summary					Year-to-date Financial information on March 31, 2021
	2016	2017	2018	2019	2020	
Operating Revenue	13,037,467	14,948,278	15,823,816	11,809,718	7,649,087	The company did not prepare the first quarter of 2021 Individual financial report.
Gross profit(Loss)	680,665	830,737	470,826	(28,927)	70,722	
Net operating income (Loss)	202,576	327,080	(23,221)	(446,742)	(285,297)	
Non-operating income and expenses	52,416	81,700	131,278	114,776	250,205	
Income(Loss)before tax	254,992	408,780	108,057	(331,966)	(35,092)	
Continuing operations Net income(Loss)	208,328	361,315	89,979	(302,638)	(40,115)	
Loss of discontinuing operations	0	0	0	0	0	
Net income (Loss)	208,328	361,315	89,979	(302,638)	(40,115)	
Total other comprehensive income (loss) (Net, after tax)	18,682	4,787	(50,214)	19,176	12,212	
Total comprehensive income	227,010	366,102	39,765	(283,462)	(27,903)	
Net profit Attributable to Shareholders of the parent	208,328	361,315	89,979	(302,638)	(40,115)	
Net profit attributed to non-controlling interests	0	0	0	0	0	
Total comprehensive income attributed to owners of the parent	227,010	366,102	39,765	(283,462)	(27,903)	
Comprehensive income attributable to non-controlling shareholders	0	0	0	0	0	
Earnings(Loss) Per Share (Note)	0.34	0.59	0.15	(0.49)	(0.07)	

Note：Earnings per share is calculated based on the weighted average number of common stocks in circulation throughout the year. Earnings per share or previous year’s earnings per share shall be adjusted retrospectively by the transfer of surplus or capital reserve to capital increase.

6.1.1.4 Comprehensive Income Statement - International Financial Reporting Standards (IFRS) – Consolidated

Condensed Comprehensive Income Statement

Unit： NT$ thousands

Item \ Year	Five-Year Financial Summary 2016	2017	2018	2019	2020	Year- to-date Financial information on March 31, 2021 (Note 1)
Operating Revenue	13,045,384	14,974,969	15,832,053	11,841,377	7,675,607	2,363,278
Gross profit(Loss)	684,764	836,492	476,473	(15,267)	84,463	340,727
Net operating income (Loss)	199,193	321,023	(26,040)	(441,126)	(279,614)	194,905
Total Non-operating income and expenses	55,827	87,802	134,256	109,375	244,812	202,221
Income(Loss) before Tax	255,020	408,825	108,216	(331,751)	(34,802)	397,126
Net Loss other comprehensive income (Loss)	208,328	361,315	89,979	(302,638)	(40,115)	381,949
Loss of discontinuing operation	0	0	0	0	0	0
Net income	208,328	361,315	89,979	(302,638)	(40,115)	381,949
Total other comprehensive income (loss) (Net, after tax)	18,682	4,787	(50,214)	19,176	12,212	20,934
Total comprehensive income	227,010	366,102	39,765	(283,462)	(27,903)	402,883
Net profit attributed to Shareholders of the Parent	208,328	361,315	89,979	(302,638)	(40,115)	381,949
Net profit attributed to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributed to owners of the parent	227,010	366,102	39,765	(283,462)	(27,903)	402,883
Comprehensive income attributable to non-controlling shareholders	0	0	0	0	0	0
Earnings(Loss) Per Share (Note 2)	0.34	0.59	0.15	(0.49)	(0.07)	0.72

Note 1：The financial report for the first quarter of 2020 was reviewed by an accountant.
Note 2：Earnings per share is calculated on the basis of the weighted average number of common stocks in circulation throughout the year. Earnings per share for previous years are retrospectively adjusted by surplus or capital reserve transfer.

6.1.2 Names of auditors and audit opinions for the most recent 5 years

Year	2015～2016	2017～2020	Q12021
CPA	Lin, Jhih Long	Hsiao, Ying Chia	Hsiao, Ying Chia
	Lin, Mei Ling	Lin, Mei Ling	Lin, Jhih Long
Audit Opinion	Standard Unqualified Opinion Audit Report	Standard Unqualified Opinion Audit Report	Standard Unqualified Opinion Review Report

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – International Financial Reporting Standards (IFRS) - Individual

Item	Year	Five-Year Financial Summary 2016	2017	2018	2019	2020	As of March 31,2021
Financial structure (%)	Liabilities to assets ratio	33.95	35.93	33.59	25.09	26.88	The company did not prepare the first quarter of 2021 Individual financial report.
	Long-term capital to property, plant and equipment ratio	132.81	145.85	162.61	159.37	144.96	
Solvency (%)	Current ratio	133.21	144.01	155.9	166.96	146.75	
	Quick ratio	83.57	81.14	88.15	86.59	93.80	
	Interest coverage ratio (times)	15.80	29.11	6.76	(18.59)	(2.09)	
Operating performance	Accounts receivable turnover (times)	6.64	6.11	6.43	6.56	6.22	
	Days Sales Outstanding	55	60	57	56	59	
	Inventory turnover (times)	6.29	6.50	5.96	5.38	5.17	
	Accounts payable turnover (times)	11.88	10.79	12.75	16.75	16.27	
	Average Inventory turnover days	58	56	61	68	71	
	Property, plant and equipment turnover (times)	2.11	2.61	3.05	2.46	1.61	
	Total assets turnover (times)	1.14	1.27	1.34	1.12	0.83	
Profitability	Return on assets (%)	1.94	3.17	0.89	(2.74)	(0.33)	
	Return on equity (%)	2.77	4.71	1.17	(4.09)	(0.58)	
	Pre-tax income to paid-in capital (%)	4.17	6.68	1.77	(5.43)	(0.64)	
	Ratio of Net Income (%)	1.60	2.42	0.57	(2.56)	(0.52)	
	Earnings per share (NT$)	0.34	0.59	0.15	(0.49)	(0.07)	
Cash flow	Cash flow ratio (%)	12.78	4.71	11.52	85.03	48.18	
	Cash flow adequacy ratio (%)	187.56	133.21	154.07	120.78	134.08	
	Cash reinvestment ratio (%)	2.09	0.04	0.97	9.51	5.90	
Leverage	Operating leverage	11.14	5.04	(68.43)	(3.72)	(5.91)	
	Financial leverage	1.09	1.05	0.55	0.96	0.96	

Analysis of financial ratio differences for the past two years. (Not required if the difference does not exceed 20%)

1. The Interest coverage ratio decreased by 89%, which was due to the decrease in profit before tax in the current period.
2. The Property, plant and equipment turnover decreased by 34%, which was due to the decrease in net sales during the period.
3. The Total assets turnover decreased by 26%, which was due to the decrease in net sales during the period.
4. Increase in profitability ratios, which was due to the decrease in operating losses for the current period.
5. The cash flow ratio and cash reinvestment ratio decreased, which was due to the decrease in net cash flow from operating activities in the current period.
6. The Operating leverage increased by 59%, which was Due to the decrease in revenue during the current period and the increase in fixed operating costs and other ratios.

6.2.2 Consolidated Financial Analysis – International Financial Reporting Standards (IFRS) - Consolidated

Item	Year	2016	2017	2018	2019	2020	As of March 31,2021
		Five-Year Financial Summary					
Financial structure (%)	Liabilities to assets ratio	33.95	35.95	33.62	25.15	26.89	27.36
	Long-term capital to property, plant and equipment	132.72	145.85	162.61	159.39	144.96	155.20
Solvency (%)	Current ratio	133.38	144.27	156.11	167.45	147.71	158.64
	Quick ratio	83.39	81.18	87.88	86.70	94.28	93.46
	Interest earned ratio (times)	15.80	29.12	6.76	(18.54)	(2.06)	151.54
Operating performance	Accounts receivable turnover (times)	6.73	6.20	6.52	6.70	6.36	8.03
	Days Sales Outstanding	54	59	56	54	57	45
	Inventory turnover (times)	6.26	6.47	5.92	5.35	5.14	4.63
	Accounts payable turnover (times)	11.88	10.80	12.75	16.76	16.28	13.14
	Average Inventory turnover days	58	56	62	68	71	79
	Property, plant and equipment turnover (times)	2.11	2.61	3.05	2.47	1.62	1.97
	Total assets turnover (times)	1.14	1.27	1.34	1.12	0.83	0.98
Profitability	Return on assets (%)	1.94	3.16	0.89	(2.74)	(0.33)	3.99
	Return on equity (%)	2.77	4.71	1.17	(4.09)	(0.58)	5.52
	Pre-tax income to paid-in capital (%)	4.17	6.68	1.77	(5.42)	(0.63)	7.47
	Ratio of Net Income (%)	1.60	2.41	0.57	(2.56)	(0.52)	16.16
	Earnings per share (NT$)	0.34	0.59	0.15	(0.49)	(0.07)	0.72
Cash flow	Cash flow ratio (%)	13.23	4.67	11.45	85.20	47.83	3.27
	Cash flow adequacy ratio (%)	187.99	133.69	154.24	121.43	134.84	111.96
	Cash reinvestment ratio (%)	2.19	0.04	0.95	9.56	5.86	0.43
Leverage	Operating leverage	11.37	5.22	(61.32)	(3.84)	(6.12)	2.87
	Financial leverage	1.09	1.05	0.58	0.96	0.96	1.01

Analysis of financial ratio differences for the past two years. (Not required if the difference does not exceed 20%)

1. The Interest coverage ratio decreased by 89%, which was due to the decrease in profit before tax in the current period.
2. The Property, plant and equipment turnover decreased by 34%, which was due to the decrease in net sales during the period.
3. The Total assets turnover decreased by 26%, which was due to the decrease in net sales during the period.
4. Increase in profitability ratios, which was due to the decrease in operating losses for the current period.
5. The cash flow ratio and cash reinvestment ratio decreased, which was due to the decrease in net cash flow from operating activities in the current period.
6. The Operating leverage increased by 59%, which was Due to the decrease in revenue during the current period and the increase in fixed operating costs and other ratios.

Note 1：The fiscal year not yet audited by the independent auditors shall be indicated.

Note 2：Publicly listed company or companies with stocks traded at securities firm business places shall also incorporate the financial information up to the quarter before the printing date of the annual report for that year into analysis.

Note 3：Calculation formulas as follows：

1.Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term capital to property, plant & equipment ratio = (Total equity + non-current liabilities) / net property, plant & equipment.

2.Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets-inventory-prepaid expenses) / current liabilities.

(3) Times interest earned = net profit before interest and tax / interest expenses for the current period.

3. Management capacity

(1) Receivables turnover ratio (including account receivables and note receivables from operating activities) = net sales / average receivables balance (including account receivables and note receivables from operating activities).

(2) Average collection days = 365 / receivables turnover ratio.

(3) Inventory turnover ratio = cost of sales / average inventory.

(4) Payables turnover ratio (including account payables and note payables from operating activities) = cost of sales / average payables balance (including account payables and note payables from operating activities).

(5) Days sales outstanding = 365 / Inventory turnover ratio.

(6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment.

(7) Total asset turnover = net sales / average total assets.

4. Profitability

(1) Return on assets = (net Income + interest expenses * (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income / average equity.

(3) Net profit margin = net Income / net Sales

(4) Earnings per share = (net profit or loss attributed to shareholders of the parent - preference dividend) / weighted average number of shares outstanding (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash provided by operating activities / current liabilities

(2) Cash flow adequacy ratio = five-year sum of cash from operations / five-year (sum of capital expenditures, inventory additions, and cash dividend)

(3) Cash reinvestment ratio = (net cash provided by operating activities - cash dividends)/ (gross property, plant and equipment + long-term investments + other non-current assets + working capital) (Note 5)

6. Leverage：

(1) Operating leverage = (net operating revenue - operating variable cost and expense) /operating income (Note 6).

(2) Financial leverage = operating income / (operating income - interest expenses)

Note 4：The aforementioned calculation equation for earnings per share, please be aware of the following during the measurement：

1. It is calculated based on the number of weighted average outstanding common shares, rather than based on the number of shares already issued by the end of year.

2. For cash capital increase or treasury shares transactions, the circulation period has been considered in order to calculate the number of weighted average shares.

3. For earning converting into capital increase or capital surplus converting into capital increase, during the calculation of the earning per share for the previous year and semi-annually, retroactive adjustment has been made according to the ratio of the capital increase, but the issuance period of the capital increase is not yet considered.

4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (regardless of whether they are paid out) should be deducted from the net profit after tax, or net loss after tax increased. If the special stock is non-cumulative, in the case of net profit after tax, the dividend of the special stock shall be deducted from the net profit after tax; if it is a loss, no adjustment is necessary.

Note 5：During the measurement of the cash flow analysis, please be aware of the following：

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.

2. Capital expense refers to the cash outflow of capital investment in each year.

3. Inventory increase is only counted when the ending balance is greater than the opening balance. If the inventory at the end of year decreases, then it is counted as zero for the calculation.

4. Cash dividends include the cash dividends of common stocks and preference shares.

5. Gross property, plant and equipment refer to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 6：Issuer shall classify the operating cost and operating expense into fixed and variable. In case where estimation or subjective judgment is involved, issuer shall be aware of its reasonability and shall maintain the consistency of such cost and expense.

Note 7：If the company’s stock has no denomination or the denomination per share is not NT$10, the calculation of the ratio of paid-in capital in the previous disclosure will be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

6.3 Audit Committee's Report for the Most Recent Year

Zig Sheng Industrial Co., Ltd.

Audit Committee's Review Report

The Board of Directors of the Company has prepared and submitted the "Consolidated Financial Statements" and "Parent Company Only Financial Statements" of year 2020, which has been verified and signed by CPA Ying-Chia Hsiao and Mei-Ling, Lin of Crowe (TW) CPAs. Together with the Business Report and the Distribution of Profits, the Audit Committee finds that there is no discrepancy. Therefore, the Board of Directors of the Company has prepared a report in accordance with the provisions of the "Securities and Exchange Act" and the "Company Act" for inspection.

To The 2021 Annual Meeting of Shareholders of Zig Sheng Industrial Co., Ltd.

The Convener of the Audit Committee: Ou, Yu-Lun

Date：March 26, 2021

6.4 Financial statement for the most recent fiscal year：Please refer to page 136~236 of the English annual report.

6.5 A parent company only financial statement for the most recent fiscal year, certified by a CPA：Please refer to page 237~330 of the English annual report.

6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report：None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT$ thousands

Year / Item	2020	2019	Variance	
			Amount	%
Current assets	3,045,069	3,438,193	(393,124)	(11.43)
Property, plant and equipment	4,735,873	4,746,725	(10,852)	(0.23)
Other Non-Current Assets	1,145,693	1,434,436	(288,743)	(20.13)
Total assets	8,923,635	9,619,354	(692,719)	(7.20)
Current liabilities	2,061,579	2,053,313	8,266	0.40
Other Non-current liabilities	339,187	365,833	(26,646)	(7.28)
Total liabilities	2,400,766	2,419,146	(18,380)	(0.76)
Share capital	5,500,014	6,117,634	(617,620)	(10.10)
Capital Surplus	492,157	360,397	131,760	36.56
Retained Earnings	668,136	708,722	(40,586)	(5.73)
Other equity	26,138	13,455	12,683	94.26
Total equity	6,525,869	7,200,208	(674,339)	(9.37)

Note：The above financial data for each year has been checked and approved by accountants.

The main reasons and effects of major changes in assets, liabilities and equity in the last two years：

7.1.1 Other non-current assets

The decrease in the change ratio of other non-current assets was due to the decrease in the balance after depreciation of the right-of-use assets and investment property.

7.1.2 Capital Surplus

The increase in the capital surplus changes is due to the repurchase of treasury stocks and the cancellation of the share capital difference into the capital surplus.

7.1.3 Other equity

The increase in the proportion of other equity changes was due to the increase in unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

7.2 Analysis of Financial Performance

Unit: NT$ thousands

Item / Year	2020	2019	Variance	%
Operating revenue	7,675,607	11,841,377	(4,165,770)	(35.18)
Operating costs	7,591,144	11,856,644	(4,265,500)	(35.98)
Gross profit	84,463	(15,267)	99,730	653.24
Operating expenses	364,077	425,859	(61,782)	(14.51)
Net Operating Income (Loss)	(279,614)	(441,126)	161,512	36.61
Non-operating income and expenses	244,812	109,375	135,437	123.83
Income(Loss) before tax	(34,802)	(331,751)	296,949	89.51
Income tax expense (or benefit).	(5,313)	29,113	(34,426)	(118.25)
Net Income (Loss)	(40,115)	(302,638)	262,523	86.74
Other comprehensive income	12,212	19,176	(6,964)	(36.32)
Total comprehensive income(Loss)	(27,903)	(283,462)	255,559	90.16

Note：The above financial data for each year has been checked and approved by accountants.

7.2.1 The annual report shall list the main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years：

7.2.1.1 Operating revenue

The decrease in the percentage of change in operating revenue is due to the decrease in production and sales affected by COVID-19 in 2020, resulting in decrease of revenue.

7.2.1.2 Operating costs

The reason for the decrease of the change ratio is the same as the explanation of operating revenue.

7.2.1.3 Gross profit

The reason is that the price of nylon raw material CPL has risen since the third quarter in 2020, and the product structure has been effectively adjusted and the sales of special products have been strengthened, As a result of the substantial increase in profit in the fourth quarter and the gross profit increased in this period.

7.2.1.4 Net Operating Income (Loss)

The reason for the increase of the change ratio is the same as the explanation of gross profit.

7.2.1.5 Income (loss) before tax

The reason for the increase of the change ratio is the same as the explanation of gross profit.

7.2.1.6 Income tax expense.

The increase in the proportion of income tax expense is due to reduced income tax benefits.

7.2.1.7 Net Income (Loss)

The reason for the increase of the change ratio is the same as the explanation of gross profit.

7.2.1.8 Other comprehensive income

The reason for the decrease in the change ratio is the decrease in the unrealized gains from investments in equity instruments measured at fair value through other comprehensive income.

7.2.1.9 Total comprehensive income

The increase in the proportion of changes is due to the decrease in losses for the period.

7.2.2 Analysis of operating margin changes

Unit: NT$ thousands

<table>
<tr><td rowspan="3">Gross profit</td><td rowspan="2">Early and late increase Minus changes</td><td colspan="4">Variance</td></tr>
<tr><td>Selling price</td><td>Cost price</td><td>Sales mix</td><td>Sales quantity</td></tr>
<tr><td>99,730</td><td>(1,686,191)</td><td>1,802,215</td><td>(19,385)</td><td>3,091</td></tr>
<tr><td>Explain</td><td colspan="5">The reason is that the price of nylon raw material CPL has risen since the third quarter in 2020, and the product structure has been effectively adjusted and the sales of special products have been strengthened, as a result of the substantial increase in profit in the fourth quarter and an increase in gross profit.</td></tr>
</table>

7.2.3 The reasons for the changes in the company’s main business content or if major changes in operating policies, market conditions, economic environment, or other internal and external factors have occurred or are expected to occur, the facts and impact changes and the possible impact on the company’s future financial operations and Response plan： None.

7.2.4 The expected sales volume in the next year and its basis, and the company's expected sales volume to continue to grow or decline, the main factors affecting：

The company has not disclosed its 2020-year financial forecast, so it does not intend to disclose the expected sales volume.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year (2019)

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus(Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
79,762	985,956	(995,320)	70,398	0	0

7.3.1.1 Analysis of cash flow changes:

(1) Operating activities:

Operating activities are cash inflows from changes in inventory and accounts of operating activities.

(2) Investment activities:

Investment activities are capital expenditures for property, plant and equipment.

(3) Financing activities:

Financing activities are cash outflows for repayment of short-term loan.

7.3.1.2 Remedial measures for insufficient cash and liquidity analysis:Not applicable.

7.3.2 Cash Flow Analysis for the Coming Year (2021)

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow (Inflow)	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
70,398	1,108,000	(850,000)	328,398	0	0

Description：

7.3.2.1 Operating activities: Operating activity is the expected inflow of profit and depreciation in the next year.

7.3.2.2 Investment and financing activities: Investment and financing activities are expected outflows of investment and financing and cash dividend in the next year.

7.3.2.3 Remedial measures for insufficient cash and liquidity analysis: Not applicable.

7.4 Major Capital Expenditure Items and Source of Capital

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Capital Expenditure		
				Actual	Expected	
				2019	2020	2021
PET-POY equipment L5 L6	Equity Capital	December 2020	690,000	600,000	90,000	0
PET-POY equipment L7 L8	Equity Capital	March 2021	265,000	13,000	236,000	16,000

7.4.2 The impact of expected benefits on financial business：

7.4.2.1 Ensure that the raw material source of polyester textured yarn is sufficient, and take advantage of the consistent advantages and benefits of the self-owned false twist factory.

7.4.2.2 Increasing opportunities for brand integration can also increase the development of environmentally friendly products.

7.4.2.3 Improve the efficiency of existing spinning and weaving production capacity, reduce product costs, and increase company profits.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Reinvestment policy for the most recent year

The company's reinvestment is based on its own industry and the purpose of vertical integration above and downstream and related to market development Investment.

7.5.2 Analysis of reinvestment loss and improvement plan

The investment gains and losses recognized by the equity method based on the shareholding ratio are summarized as follows：

Unit: NT$ thousands

Invested company	2020	2019
ZIS Holding Co., Ltd.in Republic of Mauritius	0	0
Nicest Int'L Trading Corp. in Independent State of Samoa	2,879	4,094
Ding Sheng Material Technology Co., Ltd. in Taiwan	2,179	1,054
Total	5,058	5,148

7.5.2.1 ZIS Holding Co.,Ltd.in Republic of Mauritius

(1) It is a 100% foreign invested company invested by the company. The company's investment of 5,400,000 shares, USD1.00 per share, totaling USD5,400,000, has been reviewed by the Investment Review Committee of the Ministry of Economic Affairs on August 1, Republic of China. The letter No. 091018941 was approved for filing. Due to continuous losses, the total assets, total liabilities and net assets as of December 31, 2016 and 2015 were all 0, and the company did not have any revenue or expense amount during the opening period.

(2) For information on reinvesting in Mainland Kunshan Liyi Textile Co., Ltd., please refer to Note 13 (3) Disclosure of Mainland Investment Information in the 2020 Financial Report.

7.5.2.2 Nicest Int'L Trading Corp. in Independent State of Samoa

(1) It is a 100% foreign invested company invested by the company. The company's investment in this company is 300,000 shares, USD1.00 per share, totaling USD300,000. It has been reviewed by the Investment Review Committee of the Ministry of Economic Affairs on December 12, 2013. Letter No. 10200461630 was approved and filed; currently actively diversifying the development of various product sales to increase operating benefits.

(2) For information on reinvestment in Suzhou Hongyousheng Trading Co., Ltd., please refer to Note 13(3) Disclosure of Mainland Investment Information in the 2020 Financial Report.

7.5.2.3 Ding Sheng Material Technology Co., Ltd. in Taiwan

(1) It is a 100% invested company established by the company. The company invested 1,500,000 shares in the company at 10 yuan per share, totaling NT 15 million. It was approved by the Taipei City Government on August 4, 2014, No. 10386394410 The letter of approval and registration is still in the expansion stage. The company reinvested 200,000 shares, USD1.00 per share, totaling USD200,000, which was approved by the Ministry of Economic Affairs Investment Review Committee on December 28, 2015 by the Second Approval Letter No. 10400327980; engaged in general import trading and re-active Open up the market to increase operating profit.

(2) For information on reinvestment in DING SHENG MATERIAL TECHNOLOGY CORPORATION in the United States, please refer to the disclosure of relevant information on reinvestment business in Note 13 (3) of the 2020 financial report.

7.5.3 Investment plan for the next year：None.

7.6 Analysis of Risk Management

7.6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

7.6.1.1 Interest rate

As the company regularly evaluates the trend of interest rate changes and makes timely responses, it is expected that no significant market interest rate changes will occur. If the market interest rate increases/decreases by 10 basis points, and all other factors remain unchanged, the net profit of the company from January 1 to December 31, 2020 and 2019, will decrease /increase by NT$ 933 thousand and NT$ 1,426 thousand respectively.

7.6.1.2 Foreign exchange rates

The sensitivity analysis of the company's exchange rate risk mainly focuses on the main foreign currency monetary items and non-monetary items at the end of the financial reporting period, and the impact of related foreign currency appreciation/devaluation on the company's profit and loss and equity. The company's exchange rate risk is mainly affected by fluctuations in the exchange rate of the U.S. dollar. When the U.S. dollar appreciates/depreciates by 1%, the company's net profit after tax from January 1 to December 31, 2020 and 2019 will increase/decrease by NT$ 2,578 thousand and NT$ 3,081 Thousand respectively.

In addition, the Group's monetary items recognized foreign currency unrealized exchange losses from January 1 to December 31, 2020 and 2019, were NT$ 1,822 thousand and NT$ 7,902 thousand respectively. Due to the wide variety of currencies in foreign currency transactions, it is impossible to the exchange gains and losses are disclosed in foreign currencies, so they are expressed in the form of aggregate amounts.

7.6.2 The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

The company engages in derivative commodity transactions to avoid exchange rate risks arising from assets and liabilities, and since the company's listing (Republic of 1982), there has never been a case of fund loans to others or external endorsements.

7.6.3 Research and development work to be carried out in the future, and further expenditures expected for research and development work.

7.6.3.1 Compared with polyolefin and polyester petrochemical products, the characteristics of nylon series products have great development potential, but the industrial characteristics and raw material costs are high, and relatively high value-added upgrading technologies are difficult to obtain. In addition to the development of mass production and stable process technology through the integration of upstream and downstream industries, the company will further strengthen its research and development capabilities in forward-looking technologies such as modified polymerization, nano blending and fine spinning. Value, high-performance, differentiated niche raw materials and fiber products to make up for the supply gap in the domestic industry, master key technologies and independent manufacturing capabilities.

7.6.3.2 With the continued fever of global warming, the world’s major economies have actively discussed and planned climate change mitigation policies in the past year, and energy conservation, carbon reduction, and green environmental protection have become the main axis of government governance in the future. The company's "100% PET bottle recycled polyester DTY" product was awarded the green label authorized by the state on March 19, 1998. In the future, it will be more committed to the development of special yarns with high color fastness, which can play a role in energy saving and waste reduction. Appeal. It will also build a packaged module system for sewage recycling and reclaimed water filtration, establish local key components and core technologies, and strengthen the market competitiveness of my country’s industries, which will increase the growth of import substitution rate and not only drive related product industries. Benefit, more effectively achieve the purpose of water recycling and environmental protection.

7.6.3.3 The company's estimated research and development expenses (including equipment investment) this year are NT$68 million.

7.6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

7.6.4.1 The company does not have a production base in the mainland, nor does it claim to be made in China and sold in the United States.

7.6.4.2 The company's products are sold to mainland manufacturers and then sold to the United States as follows：

(1) The company's 108 revenue was NT$11.84 billion, and the sales amount in mainland China was NT$1.14 billion.

(2) The company's sales of mainland products are processed by customers into fabrics and processed into garments and then sold. The amount of sales to the United States is indeed impossible to calculate, but the impact of Section 301 on the company's finances and business is minimal.

7.6.5 Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response：

Most of the company's products are used for clothing and spinning fibers, with a long product life cycle, and because the products are widely used, they are less susceptible to technological changes and industrial changes.

7.6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response：None.

7.6.7 Expected benefits and possible risks Assistant Vice Presidentd with any merger and acquisitions, and mitigation measures being or to be taken：None.

7.6.8 Expected benefits and possible risks Assistant Vice Presidentd with any plant expansion, and mitigation measures being or to be taken：None.

7.6.9 Risks Assistant Vice Presidentd with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

The company’s main purchases and sales targets are as disclosed in the Operation Overview section of this report

7.6.9.1 Instruction of purchase concentration：

(1) The company has been in the chemical fiber industry for 50 years and has established long-term partnerships with upstream suppliers, and the supply of raw materials is smooth.

(2) The purchase of raw materials is handled by multiple supplies, and the supply sources are all over 20 years of long-term cooperation, so there is no risk of supply shortage caused by concentrated purchases.

7.6.9.2 There is no sales concentration

Too much concentration of sales customers can easily lead to the overall control of production and manufacturing and the deployment of personnel and resources subject to the growth and decline of these customers' orders. Once any major customer has a financial crisis or bankruptcy, it is easy to cause a whole-body effect, which is easy to cause the company's operations. Significant risks. In order to reduce the risk of sales concentration, on the one hand, the company pre-set quota limits for individual customers to determine and control the collection of accounts, on the other hand, actively increase the source and region of the customer base to increase revenue and diversify the risk of sales concentration. Reduce the impact of losing a single customer order on company operations.

7.6.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken：None.

7.6.11 Effect upon and risk to company Assistant Vice Presidentd with any change in governance personnel or top management, and mitigation measures being or to be taken：None.

7.6.12 Litigation or Non-litigation Matters：

7.6.12.1 The company's major litigation, non-litigation or administrative litigation matters in the last two years and so far：None.

7.6.12.2 The company's directors, supervisors, Presidents and major shareholders with a shareholding ratio of more than 10%, major litigation, non-litigation or administrative disputes in the last two years and up to now：None.

7.6.13 Other important risks, and mitigation measures being or to be taken：

In order to improve information security risk management, the company formulated the "Information Security Rules Announcement" in March 2017, and issued it to employees for compliance. In addition, the following information security management measures：

Manage projects	Description	Take measures
Computer Room	✚ Computer room environmental management ✚ Strictly follow company policy on equipment and system purchase	1. Computer rooms access control 2. The inspection and education of equipment and fire safety 3. Management and maintenance of information appliance
System Security	✚ System monitoring and abnormality notification ✚ Database management ✚ Disaster drill on system	1. System and network status monitoring and exception handling 2. Optimization and backup of databases regularly 3. System virtualization and remote backup 4. Perform disaster drill on host computer backup plan regularly
Access Control	✚ Employee access data control	1. Permission setting 2. Account Management 3. USB port usage control 4. External mail access control
Network Security	✚ The installation of equipment protected from Hacker and virus	1. The establishment of firewall and spam filtering 2. Regular update on virus code 3. P2P and remote connection program control

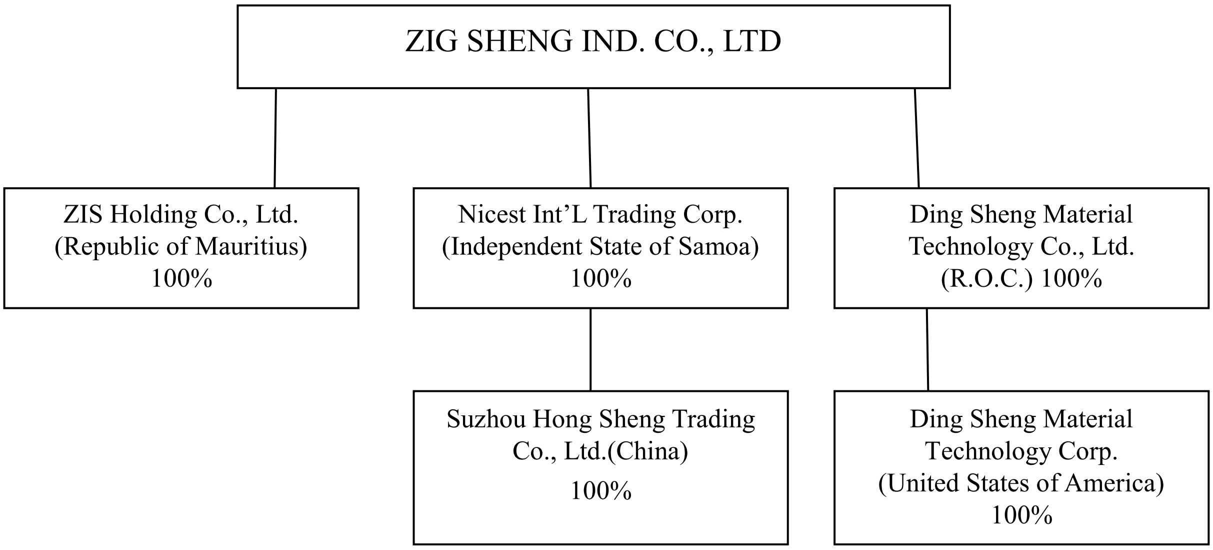
7.7 Other important matters：None.

VIII. Special Disclosure

8.1. Summary of Affiliated Companies

8.1.1. Consolidated Business Report of the Subsidiary

8.1.1.1 Subsidiary Chart：



8.1.1.2 Subsidiaries Profile

Unit：NT$ thousands

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
ZIS Holding Co., Ltd.	August 6, 2002	Republic of Mauritius	185,020	Reinvestment in various businesses
Nicest Int'L Trading Corp.	May 30, 2013	Independent State of Samoa	8,883	Reinvestment in various businesses
Ding Sheng Material Technology Co., Ltd.	August 4, 2014	Taoyuan City, Taiwan (R.O.C.)	15,000	Synthetic resin and industrial plastic products manufacturing and related international trade
Suzhou Hong Sheng Trading Co., Ltd	September 3, 2013	Jiangsu province (China)	8,883	Engaged in the wholesale import and export of plastic products, chemical products, chemical fiber raw materials, chemical fiber products, textile raw materials, machinery and electrical equipment and their parts
Ding Sheng Material Technology Corp.	May 21, 2015	United States of America	6,340	General import trading

8.1.1.3 Information of the same shareholders who are presumed to have control and affiliation：None.

8.1.1.4 The industries covered by the business of the overall relationship company, and there are related situations：

(1) The business operations of ZIS Holding and Nicest Int'L controlled by the company are The business operations are not related.

(2) Suzhou Hong Sheng Trading Co., Ltd. and Dingsheng Material Technology Co., Ltd. and Ding Sheng Material Technology Corp.controlled by the company s business The company's business operations are related to expand sales to overseas markets.

8.1.1.5 Information of Directors, Supervisors, and Presidents of the affiliates

Unit：Share；%

Company Name	Position	Name / Representative	Shareholding (As of December 31, 2020)	
			Share	Percentage
ZIS Holding Co., Ltd.	Chairman	YEH, SOU-TSUN, Representative of ZIG SHENG IND. CO., LTD.	5,400,000	100%
Nicest Int'L Trading Corp.	Chairman	SU, PAT-HUANG, Representative of ZIG SHENG IND. CO., LTD.	300,000 (Par value per share USD1)	100%
Ding Sheng Material Technology Co., Ltd.	Chairman	SU, PAT-HUANG, Representative of ZIG SHENG IND. CO., LTD.	1,500,000	100%
Suzhou Hong Sheng Trading Co., Ltd	Principal	HE, CHAO-CHEN, Representative of Nicest Int'L Trading Corp.	Not applicable	100%
Ding Sheng Material Technology Corp.	Chairman	HE, CHAO-CHEN, Representative of Ding Sheng Material Technology Co., Ltd.	200,000 (Par value per share USD1)	100%

8.1.1.6 Operational Highlights of Subsidiaries

Unit：NT$ thousands

Company	Capital Stock	Assets	Liabilities	Equity	Revenues	Operating Income	Net Income	EPS (NT$)
ZIS Holding Co., Ltd.	185,020	0	0	0	0	0	0	0
Nicest Int'L Trading Corp.	8,883 (Par value per share USD1)	16,619	0	16,619	0	0	3,010	10.03 (USD0.34)
Ding Sheng Material Technology Co., Ltd.	15,000	7,869	2,771	5,098	323	9	2,155	1.44
Suzhou Hongyousheng Trading Co., Ltd.,	8,883	33,877	17,258	16,619	73,838	2,857	3,010	Not applicable
Ding Sheng Material Technology Corp.	6,340 (Par value per share USD1)	15,854	18,525	(2,671)	29,701	2,138	2,156	10.78 (USD0.37)

8.1.2. Financial Statement Statement on Consolidation of Affiliated Enterprises：
Please refer to page 97 of the Chinese annual report.

8.1.3. Reports on Affiliated Enterprises：Not applicable.

8.2. The status of private placement securities in the most recent year and as of the publication date of the annual report：None.

8.3. Status of holding or disposing of the company's stocks by subsidiaries in the most recent year and as of the publication date of the annual report：None.

8.4. Other necessary supplementary explanation items：None.

IX. Matters that have a significant impact on shareholders' equity or securities prices

In the most recent year and as of the publication date of the annual report, matters that have a significant impact on shareholders' equity or securities prices as stipulated in the second paragraph of Article 36 of the Securities and Exchange Act：None.

Declaration Statement

December 31, 2020

March 26, 2021

According to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", for the year of 2020 (from January 1, 2020 to December, 2020), the affiliated companies of Zig Sheng Industrial Co., Ltd. which should be included when preparing the Consolidated Financial Statements of Affiliated Enterprises are the same as those which shall be included in the Consolidated Financial Statements of the parent and subsidiaries prepared under No.10 of International Financial Reporting Standards, and all of the related information which shall be disclosed in the Consolidated Financial Statements of Affiliated Enterprises had been disclosed in the above Consolidated Financial Statements of the parent and subsidiaries. Therefore, separate Consolidated Financial Statements of Affiliated Enterprises are not prepared.

Declared herein

Zig Sheng Industrial Co., Ltd.

Legal Representative：

Independent Auditors' Report

To : Zig Sheng Industrial Co., Ltd.

Opinion

We have audited the Consolidated Financial Statements of Zig Sheng Industrial Co., Ltd. and Subsidiaries (the "Group"), which comprise the Consolidated balance sheets as of December 31, 2020 and 2019, the Consolidated statements of comprehensive income, Consolidated statements of changes in equity, and Consolidated statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the Consolidated financial statements, including a summary of significant accounting policies (together "Consolidated Financial Statements").

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and 2019, 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 Consolidated Financial Statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and, in forming our opinion thereon; we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statements for the year ended December 31, 2020 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 4.32 of the Consolidated Financial Statements；For illustration to the revenue items, please refer to disclosure in Note 6.30 of the Consolidated Financial Statements.

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

1. Tested the effectiveness of the Group'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 Group 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 Group resides, the sales prices of the Group’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 Group’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 4.15 of the Consolidated Financial Statements；For illustration to the inventory items, please refer to disclosure in Note 6.6 of the Consolidated Financial Statements. Our key audit procedures performed in respect of the above area included the following：

1. Based on the understanding of the Group’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.

Other matters – Parent Company Only Financial Statements

Zig Sheng Industrial Co., Ltd. had prepared the 2020 and 2019 parent company only financial statements, along with the independent auditors’ report with unqualified opinion issued, available for reference.

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

Management is responsible for preparation and fair presentation of the Consolidated 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 Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether any material uncertainty exists in the events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the guidance, supervision and performance for the audit of the Group. 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 re1ationships 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 Consolidated Financial Statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless 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, Mei-Ling.

Crowe (TW) CPAs
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

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

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

		December 31, 2020		December 31, 2019	
Code	Assets	Amount	%	Amount	%
11xx	Current Assets	$ 3,045,069	34	$ 3,438,193	36
1100	Cash and cash equivalents (Note 6.1)	70,398	1	79,762	1
1110	Financial assets at fair value through profit or loss – current (Note 6.2)	603,174	7	513,533	5
1150	Notes receivable, net (Note 6.3)	221,230	3	194,474	2
1170	Accounts receivable, net (Note 6.4)	975,915	11	921,376	10
1180	Accounts receivable due from related parties (Note 6.4,7)	45,496	-	53,739	1
1200	Other receivables (Note 6.5)	27,530	-	13,465	-
1220	Income tax assets (Note 6.37)	9	-	5	-
1310	Inventories, net (Note 6.6)	1,082,330	12	1,641,847	17
1410	Prepayments (Note 6.7)	18,987	-	16,214	-
1476	Other financial assets – current (Note 6.8)	-	-	3,778	-
15xx	Noncurrent Assets	5,881,566	66	6,181,161	64
1517	Financial assets at fair value through other comprehensive income – noncurrent (Note 6.9)	208,709	3	199,011	2
1600	Property, plant and equipment (Note 6.11)	4,735,873	53	4,746,725	49
1755	Right-of-use asset (Note 6.12)	78,434	1	99,075	1
1760	Investment properties, net (Note 6.13)	645,185	7	656,737	7
1780	Intangible assets (Note 6.14)	1,051	-	2,864	-
1840	Deferred income tax assets (Note 6.37)	128,837	2	131,808	1
1915	Prepayments for equipment	26,126	-	300,696	3
1920	Guarantee deposits paid (Note 6.15)	24,943	-	6,552	-
1990	Other noncurrent assets – other (Note 6.16)	32,408	-	37,693	1
1xxx	Total Assets	$ 8,926,635	100	$ 9,619,354	100
Code	Liabilities and Equity				
21xx	Current Liabilities	$ 2,061,579	23	$ 2,053,313	21
2100	Short-term loans (Note 6.17)	710,000	8	1,184,000	12
2110	Short-term notes and bills payable (Note 6.18)	449,934	5	-	-
2120	Financial liabilities at fair value through profit or loss – current (Note 6.19)	-	-	1,623	-
2130	Contractual liabilities – current (Note 6.30)	80,804	1	86,989	1
2150	Notes payable	106,687	1	101,573	1
2170	Accounts payable	371,387	5	352,206	4
2180	Accounts payable to related parties (Note 7)	195	-	440	-
2200	Other payables (Note 6.20)	303,998	3	284,857	3
2220	Other payables to related parties (Note 7)	-	-	240	-
2230	Current-period income tax liabilities (Note 6.37)	144	-	67	-
2250	Provisions - current (Note 6.21)	24,573	-	25,163	-
2280	Lease liabilities - current (Note 6.12)	12,921	-	15,164	-
2399	Other current liabilities – other (Note 6.22)	936	-	991	-
25xx	Noncurrent Liabilities	339,187	4	365,833	4
2570	Deferred income tax liabilities (Note 6.37)	137,395	2	137,395	2
2580	Lease liabilities - noncurrent (Note 6.12)	67,079	1	85,180	1
2640	Net defined benefit liability - noncurrent (Note 6.23)	111,549	1	119,594	1
2645	Guarantee deposits received (Note 6.24)	23,164	-	23,664	-
2xxx	Total Liabilities	2,400,766	27	2,419,146	25
31xx	Equity attributable to owners of the parent				
3100	Share capital (Note 6.25)	5,500,014	62	6,117,634	64
3110	Ordinary shares	5,500,014	62	6,117,634	64
3200	Capital surplus (Note 6.26)	492,157	6	360,397	4
3300	Retained earnings (Note 6.27)	668,136	7	708,722	7
3310	Legal reserve	249,476	3	249,476	3
3320	Special reserve	321,614	3	321,614	3
3350	Unappropriated retained earnings	97,046	1	137,632	1
3400	Other equity interest (Note 6.28)	26,138	-	13,455	-
3410	Exchange differences from translation of foreign operations	(219)	-	(654)	-
3420	Unrealized gains or losses on financial assets at fair value through other comprehensive income	26,357	-	14,109	-
3500	Treasury shares (Note 6.29)	(160,576)	(2)	-	-
3xxx	Total Equity	6,525,869	73	7,200,208	75
3x2x	Total Liabilities and Equity	$ 8,926,635	100	$ 9,619,354	100

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	Share capital - ordinary shares Amount	%	2019 Amount	%
4000	Operating revenue (Note 6.30)	$ 7,675,607	100	$ 11,841,377	100
5000	Operating costs (Note 6.6, 6.35)	(7,591,144)	(99)	(11,856,644)	(100)
5900	Gross profit (loss) from operations	84,463	1	(15,267)	-
6000	Operating expenses (Note 6.35)	(364,077)	(5)	(425,859)	(4)
6100	Selling expenses	(216,438)	(3)	(253,398)	(2)
6200	Administrative expenses	(92,306)	(1)	(100,202)	(1)
6300	Research and development expenses	(55,333)	(1)	(72,259)	(1)
6900	NET OPERATING INCOME (LOSS)	(279,614)	(4)	(441,126)	(4)
	Non-operating income and expenses				
7100	Interest income (Note 6.31)	309	-	391	-
7010	Other income (Note 6.32)	276,635	4	174,977	1
7020	Other gains and losses (Note 6.33)	(20,529)	-	(53,223)	-
7050	Finance costs (Note 6.34)	(11,603)	-	(12,770)	-
7000	Total non-operating income and expenses	244,812	4	109,375	1
7900	INCOME BEFORE INCOME TAX	(34,802)	-	(331,751)	(3)
7950	INCOME TAX EXPENSE (Note 6.37)	(5,313)	-	29,113	-
8200	NET LOSS	(40,115)	-	(302,638)	(3)
	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 fair value through other comprehensive income (Note 6.9)	12,248	-	22,052	-
8311	Remeasurements of defined benefit liability (Note 6.23)	(589)	-	(3,207)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss (Note 6.37)	118	-	642	-
8310	Total items that will not be reclassified subsequently to profit or loss	11,777	-	19,487	-
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences from translation of foreign operations of subsidiaries, associates and joint ventures under equity method	435	-	(311)	-
8360	Total items that may be reclassified subsequently to profit or loss	435	-	(311)	-
8300	Total other comprehensive income (loss) for the year, net of income tax	12,212	-	19,176	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	($ 27,903)	-	($ 283,462)	(3)
8600	Net income (loss) attributable to：				
8610	Owners of the parent	($ 40,115)	-	($ 302,638)	(3)
8700	Total equity attributable to：				
8710	Owners of the parent	($ 27,903)	-	($ 283,462)	(3)
	EARNINGS PER SHARE – ORDINARY SHARES (NT$) (Note 6.38)				
9750	Basic earnings per share	($ 0.07)		($ 0.49)	

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	Share Capital - Ordinary Shares	Capital Surplus	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other Equity: Exchange differences from translation of foreign	Other Equity: Unrealized gains or losses on financial assets at FVTOCI	Treasury Shares	Total Equity
A1	Balance, January 1, 2019	$ 6,117,634	$ 360,363	$ 240,478	$ 321,614	$ 574,186	($ 343)	($ 7,943)	$ -	$ 7,605,989
	Appropriation of 2018 earnings：(note)									
B1	Legal reserve	-	-	8,998	-	(8,998)	-	-	-	-
B5	Cash dividends of ordinary share	-	-	-	-	(122,353)	-	-	-	(122,353)
C17	Unclaimed overdue dividends by shareholders	-	34	-	-	-	-	-	-	34
D1	Profit (loss) for 2019	-	-	-	-	(302,638)	-	-	-	(302,638)
D3	Other comprehensive income, net of tax, for 2019	-	-	-	-	(2,565)	(311)	22,052	-	19,176
Z1	Balance, December 31, 2019	$ 6,117,634	$ 360,397	$ 249,476	$ 321,614	$ 137,632	($ 654)	$ 14,109	$ -	$ 7,200,208
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	$ 5,500,014	$ 492,157	$ 249,476	$ 321,614	$ 97,046	($ 219)	$ 26,357	($ 160,576)	$ 6,525,869

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	2020	2019
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Profit from continuing operations before tax	($ 34,802)	($ 331,751)
A20000	Adjustments：		
A20010	Income/gain or expense/loss items not affecting cash flows		
A20100	Depreciation expense (including depreciation of investment properties)	586,344	550,739
A20200	Amortization expense	28,019	30,365
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(70,570)	(36,171)
A20900	Interest expense	11,374	16,976
A21200	Interest income	(309)	(391)
A21300	Dividend income	(22,806)	(51,008)
A22500	Net loss (gain) on disposal or scrapping of property, plant and equipment	1,145	2,137
A23100	Gain from disposal of investments	55,646	52,920
A29900	Gain from lease modifications	(43)	(11)
A20010	Total income/gain or expense/loss items not affecting cash flows	588,800	565,556
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at FVTPL	(73,412)	158,087
A31130	Decrease (increase) in notes receivable	(26,756)	159,867
A31150	Decrease (increase) in accounts receivable	(54,539)	1,031,998
A31160	Decrease (increase) in accounts receivable – related parties	8,243	3,070
A31180	Decrease (increase) in other receivables	(4,510)	7,892
A31200	Decrease (increase) in inventories	567,847	730,270
A31230	Increase in prepayments	(2,773)	(2,321)
A32125	Decrease in contractual liabilities	(6,185)	(10,324)
A32130	Increase (decrease) in notes payable	5,114	(143,136)
A32150	Increase (decrease) in accounts payable	19,181	(363,090)
A32160	Increase (decrease) in accounts payable – related parties	(245)	77
A32180	Increase (decrease) in other payables	71	(40,374)
A32190	Increase (decrease) in other payables – related parties	(240)	(37)
A32200	Increase (decrease) in provisions	(590)	241
A32230	Increase (decrease) in other current liabilities - other	(55)	(86)
A32240	Decrease in net defined benefit liabilities	(8,634)	(14,049)
A30000	Total changes in operating assets and liabilities	422,517	1,518,085
A33000	Cash generated from operations	976,515	1,751,890
A33100	Interest received	311	396
A33200	Dividend received	22,806	51,008
A33300	Interest paid	(11,525)	(17,427)
A33500	Income taxes paid	(2,151)	(36,430)
AAAA	Net cash flows from operating activities	985,956	1,749,437

(continue to next page)

(continue from previous page)

BBBB	CASH FLOWS FROM INVESTING ACTIVITIES		
B00030	Returned capital from FVTOCI financial assets	2,550	4,500
B02700	Acquisition of property, plant and equipment	(169,041)	(211,241)
B02800	Proceeds from disposal of property, plant and equipment	207	1,271
B03700	Increase in refundable deposit	(18,707)	(185)
B03800	Decrease in refundable deposit	316	671
B04500	Acquisition of intangible assets	(76)	(769)
B06500	Increase in other financial assets	-	(3,778)
B06600	Decrease in other financial assets	3,778	6,627
B06700	Increase in other noncurrent assets - other	(20,845)	(22,435)
B07100	Increase in prepayments for equipment	(109,888)	(401,294)
BBBB	Net cash flows used in investing activities	(311,706)	(626,633)
CCCC	CASH FLOWS FROM FINANCING ACTIVITIES：(Note 6.36)		
C00100	Increase in short-term loans	7,577,632	17,010,674
C00200	Decrease in short-term loans	(8,051,632)	(17,965,674)
C00500	Increase in short-term notes and bills payable	1,900,000	250,000
C00600	Decrease in short-term notes and bills payable	(1,450,000)	(250,000)
C03000	Increase in deposits received	100	1,520
C03100	Decrease in deposits received	(600)	(1,800)
C04020	Lease principal repayment	(13,113)	(14,033)
C04500	Distribution of cash dividends	-	(122,353)
C04900	Cost for buying back treasury shares	(646,436)	-
C09900	Undrawn overdue dividends payable transferred to capital surplus	-	34
CCCC	Net cash flows from (used in) financing activities	(684,049)	(1,091,632)
DDDD	Effects on cash and cash equivalents due to fluctuations in exchange rates	435	(334)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,364)	30,838
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79,762	48,924
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	$ 70,398	$ 79,762
E00210	RECORDED CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET	$ 70,398	$ 79,762

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(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 Consolidated Financial Statements are presented in New Taiwan Dollars.

Unless specified otherwise, the Company and the component subsidiaries included in these Consolidated Financial Statements are together called the "Group" hereafter.

2. The Authorization of Financial Statements

The accompanying Consolidated Financial Statements were approved and authorized for issue by the Board of Directors on March 26, 2021.

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.1080323028 Order on July 29, 2019, the Group shall, beginning from 2020, 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 2020：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020 (Note)

Note：FSC has allowed earlier adoption by companies effective from January 1, 2020.

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

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 2021：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 " Extension of the Temporary Exemption from Applying IFRS 9"	June 25, 2020 (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

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 Group.

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)：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
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
2018-2020 Annual Improvements	January 1, 2022
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Presentation of Financial Statements”	January 1, 2023
Amendments to IAS 8 “Definition of accounting estimates”	January 1, 2023
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undetermined

As of the issuance date of these Consolidated Financial Statements, the Group still continues to assess the effects on the Group’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 Consolidated 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 Consolidated 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 Consolidated 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 Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

4.3 Basis of consolidation

1. Principles for preparing the consolidated financial statements

(1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. The subsidiaries in the consolidated financial statements：

Investor	Subsidiaries	Main Businesses	Percentage of Ownership 2020.12.31	Percentage of Ownership 2019.12.31
Zig Sheng Industrial Co., Ltd.	Nicest Int'L Trading Corp.	According to instructions by management policies of the parent company, conduct investments in various businesses other than Taiwan region	100%	100%

Investor	Subsidiaries	Main Businesses	Percentage of Ownership 2020.12.31	Percentage of Ownership 2019.12.31
Zig Sheng Industrial Co., Ltd.	Ding Sheng Material Technology Corporation Limited	Manufacture of synthetic resin and industrial plastic and the related international trading	100%	100%
Nicest Int'L Trading Corp.	Suzhou Hongsheng Trading Co., Ltd.	Engage in wholesale, export/import, commission agent (except for auctions) of plastic materials, chemical products (except for hazardous chemicals), chemical fiber products, textile materials, mechanical and electrical equipment and parts, and the related auxiliary services, technical consulting services, and also provision of on-site repairment services for the mechanical and electrical equipment and parts	100%	100%
Ding Sheng Material Technology Corporation Limited	Ding Sheng Material Technology Corporation	General import/export trading	100%	100%

3. Increase or decrease in consolidation subsidiaries：None

4. Subsidiaries not included in the consolidated financial statements

   As of December 31, 2020 and 2019, the total asset, total liability and total equity of the Group'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 Consolidated Financial Statements.

5. Adjustments and treatments for subsidiaries with different accounting period：None

6. Significant restrictions on the ability to transfer funds from subsidiaries to the parent company：

   Due to local foreign exchange controls, the cash and bank deposits in Mainland China by the amount of $22,816 thousand and $28,631 thousand as of December 31, 2020 and 2019, respectively, are restricted from transferring out of Mainland China (except for normal dividends).

7. Subsidiaries that have non-controlling interests that are material to the Group：None

4.4 Foreign currencies

1. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates

(the “functional currency”). The Consolidated Financial Statements are presented in New Taiwan Dollars (NT$), which is the Group’s functional currency.

2. In preparing the Consolidated 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 Group (including subsidiaries, associates, joint ventures or branches located offshore or using different currencies from that of the Group) 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 Group 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 Group 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 Group 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.

4.5 Classification standards for current and noncurrent assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets：

(1) Assets arising from operating activities that are expected to be realised, 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;

(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.

4.6 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.

4.7 Financial instruments

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

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

4.8 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 Group, 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 Group 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 Group 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 Group recognizes the dividend income in profit or loss.

4.9 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 Group 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.

4.10 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 Group 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 Group 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.

4.11 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 Group initially recognizes them at invoice amounts.

4.12 Impairment of financial assets

On each balance sheet date, after considering all reasonable and reliable information (including prospective ones), the Group 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.

4.13 Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is meet：

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 Group has transferred substantially all risks and rewards of ownership of the financial asset
3. The Group 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.

4.14 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.

4.15 Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, 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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

4.16 Subsidiaries and investments accounted for using the equity method

1. Associates refer to all entities over which the Group has influence but without control, generally refer to direct or indirect holding of 20% or more of the voting shares. Investments in associates 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 share of profit or loss, after acquisition of the associates by the Group, is recognized in profit or loss in the current period, and the share of other comprehensive income or loss is recognized in other comprehensive income or loss. If the Group's share of loss from an associate equal or exceeds its interests in the associate (including any other unsecured receivables), the Group would not further recognize loss, unless the Group has legal obligation or constructive obligation to pay, or had made the payment on behalf of the associate.
3. The gains or losses generated from upstream or sidestream transactions are recognized in the Consolidated Financial Statements within the scope that the Group's equity interests in the subsidiaries are not related. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
4. When an associate incurs changes in equity that is not related to profit (loss) or other comprehensive income and does not affect the Group's ownership percentage in the associate, the Group records its share of the equity changes as "Capital Surplus" proportionate to its ownership percentage.

5. When an associate issue new shares, if the Group does not purchase or acquire new shares proportionately and leads to change in shareholding ratio but the Group still maintains material influence, the increase/decrease in the net equity amount is adjusted in "Additional paid-in capital" and "Investments accounted for using equity method". If the shareholding ratio reduces, in addition to the above adjustment, the previously recorded relating gains or losses in other comprehensive income or loss, where the gains or losses shall be reclassified to profit or loss upon disposal, are reclassified to profit or loss proportionate to the reduction.
6. If the Group losses material influence over the associate, the remaining investment in the original associate is remeasured at fair value, and the difference between the fair value and the book value is recorded in the current-period profit or loss.
7. When the Group disposes of an associate, if it losses material influence over the associate, for all of the amounts that were previously recognized in other comprehensive income that were related to the associates, the accounting treatments are the same as if the Group directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities, would be reclassified to profit or loss, then when the material influence the associates is lost, the gains or losses would be reclassified from equity to profit or loss. If the Group still has material influence over the associates, then only transfer out, proportionately according to the above approach, the previously recognized amount in the other comprehensive income or loss.
8. When the Group disposes of an associate, if it losses material influence over the associate, the additional paid-in capital related to the associate is transferred to profit or loss ; If the Group still maintains material influence over the associate, then transfer to profit or loss according to the disposal ratio.

4.17 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance are 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 Group'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 Group 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.

4.18 Leased assets / Operating lease (lessee)

1. At the commencement of the lease term, lessees shall recognize finance leases as assets and liabilities in their statement of financial positions at amounts equal to the lower of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. 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 Group 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.

4.19 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. Depreciation is recognized using the straight-line method. 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.

4.20 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.

4.21 Impairment of non-financial assets

The Group 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.

4.22 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.

4.23 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.

4.24 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 Group 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.

4.25 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 ether 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.

4.26 Provisions

Provisions are recognized when the Group 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.

4.27 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 Group 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 Group’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 Group 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.

4.28 Financial liabilities and equity instruments

1. Classification as debt or equity

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

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 Group 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 Group derecognizes financial liabilities when, and only when the Group'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 party’s 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.

4.29 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.

4.30 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.

4.31 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 Group 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 Consolidated 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 Group 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 Group'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.

4.32 Revenue recognition

After the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group’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 Group'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.

4.33 Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group 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 Group recognizes expenses for the related costs for which the grants are intended to compensate. 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 Consolidated Financial Statements are affected by the adopted accounting policies, accounting estimates, assumptions and other factors, when the Group 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 Consolidated Financial Statements, the management has to utilize appropriate professional judgement, estimates, and assumptions. The Group'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 Group 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 Group 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 Group 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 Group would postpone the adjustment to the classification of the financial assets acquired subsequently.

2. Investment properties

The purpose for holding part of the real estate by the Group is either for earning rents or capital gain, 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 Group is lessor

The Group had signed commercial rental contracts and rented out part of its property sets. Based on the assessment on basic terms of the contacts, the Group 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 Group 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 Group's operations, etc. When there is material change in material event or condition within the Group's controlling scope, re-assess the lease period.

5.2 Critical accounting estimates and assumptions

The accounting estimates made by the Group 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 financial assets is based on the Group's assumptions regarding default rate and expected loss ratio. The Group 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, 2020 and 2019, the book value of the Group's receivables were $1,270,171 thousand and $1,183,054 thousand, respectively.

2. Valuation of inventories

   As inventories are stated at the lower of cost and net realisable value; thus, the Group 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 realisable 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, 2020 and 2019, the book value of the Group's inventories were $1,082,330 thousand and $1,641,847 thousand, respectively (net of allowances for inventory obsolete or valuation losses of $69,338 thousand and $160,694 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 Group, 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 Group 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 Group 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, 2020 and 2019, the book value of the Group's investments in non-public stocks were $208,709 thousand and $199,011 thousand, respectively.

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

   The Group 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 Group assesses the recoverable amounts of an investment accounted for using the equity method based on the present value of the Group'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, 2020 and 2019, after careful assessment by the Group, there was no material impairment loss.

5. Impairment assessment of tangible and intangible assets

   In the course of impairment assessments, the Group determines, based on how assets are utilised 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 Group's strategy might result in material impairment of assets in the future. As of December 31, 2020 and 2019, the recorded accumulated impairment amount of the Group's intangible assets were both $2,175 thousand.

6. Realisability of deferred tax assets

   Deferred 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 utilised. The Group's management assesses the realisability 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, 2020 and 2019, the Group recorded $128,837 thousand and $131,808 thousand of deferred income tax assets, respectively；The non-recorded deferred income tax assets of the Group due to not very likely to have taxable income were $54,640 thousand and $11,563 thousand, respectively.

7. Calculation of net defined benefit obligation

   When calculating the present value of defined pension obligations, the Group 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, 2020 and 2019, the book value of the Group's net defined benefit obligation were $111,549 thousand and $119,594 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 nature pledge of assets).

6. Description of Significant Accounts

6.1 Cash and cash equivalents

Item	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 2,005	$ 2,121
Checking account	3,957	16,393
Demand deposits	50,867	41,015
Time deposits with original maturities within 3 months	13,569	20,233
Total	$ 70,398	$ 79,762

1. The Group has no cash and cash equivalents pledged to others.
2. As of December 31, 2020 and 2019, the range of market interest rates was 1.35%～1.765% and 1.35%～1.755%, respectively.

6.2 FVTPL financial assets - current

Item	December 31, 2020	December 31, 2019
Mandatorily measured at FVTPL		
Listed stocks	$ 602,967	$ 513,443
Derivatives - forward exchange contract	207	−
Derivatives – foreign exchange swap	−	90
Total	$ 603,174	$ 513,533

1. Regarding details for the financial assets mandatorily measured at FVTPL (not including derivative instruments), please refer to Note 13(1) (2)-3.
2. The net (loss) gain (not including derivative instruments) recorded in profit or loss in 2020 and 2019 were $14,717 thousand and ($15,216) thousand.
3. The purpose for the Group 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, 2020 and 2019, the existing contract assets (liabilities) for the derivative instruments are as following：

Financial Instrument	Buy/Sell Currency	Contract Amount	Fair Value	Contract Period Until Expiration
(1) December 31, 2020：				
Buy forward exchange contract	JPY/NTD	JPY524,000/NTD142,634	$ 207	2021.1.25.～2021.6.25.

Financial Instrument	Buy/Sell Currency	Contract Amount	Fair Value	Contract Period Until Expiration
(2) December 31, 2019：				
Buy forward exchange contract	JPY/NTD	JPY128,400/NTD37,076	($ 1,623)	2020.1.14.～2020.1.21.
Foreign exchange swap	USD/NTD	USD 1,500/NTD45,068	$ 90	2020.1. 2.～2020.1. 6.

The recorded net profit (loss) recorded in 2020 and 2019 due to the Group's engagement in derivative contractual transactions were ($1,124) thousand and $2,964 thousand, respectively.

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

6.3 Notes receivable

Item	December 31, 2020	December 31, 2019
Notes receivable	$ 221,230	$ 194,474
Less：Allowance for losses	–	–
Net amount	$ 221,230	$ 194,474

1. All of the Group's notes receivable are not overdue; the expected rate of credit loss is 0%.
2. The Group has no notes receivable pledged to others.

6.4 Accounts receivable (including related parties)

Item	December 31, 2020	December 31, 2019
Accounts receivable	$ 975,915	$ 921,376
Less：Allowance for losses	–	–
Subtotal	975,915	921,376
Accounts receivable - related parties	45,496	53,739
Less：Allowance for losses	–	–
Subtotal	45,496	53,739
Net amount	$ 1,021,411	$ 975,115

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

Aging	December 31, 2020			December 31, 2019		
	Total amount	Allowance for losses	Net amount	Total amount	Allowance for losses	Net amount
Not overdue	$1,007,526	$ －	$1,007,526	$ 972,254	$ －	$ 972,254
Overdue 1 ~ 30 days	11,176	－	11,176	2,680	－	2,680
Overdue 31 ~ 90 days	2,641	－	2,641	－	－	－
Overdue 91 ~ 180 days	－	－	－	117	－	117
Overdue 181 ~ 365 days	68	－	68	41	－	41
Overdue over 365 days	－	－	－	23	－	23
Total	$1,021,411	$ －	$1,021,411	$ 975,115	$ －	$ 975,115

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：The risk of expected credit loss for the Group'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 Group 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 Group'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 Group 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 default 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 Group'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 Group does not hold any collateral for the accounts receivable.

If there is evidence shows that the transaction party has severe financial difficulties, and the Group could not be reasonably expected to recover the amounts, the Group would Recognize 100% loss allowance or direct write off of the related accounts receivable. However, the Group 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 Group has no accounts receivable (including related parties) pledged to others.

6.5 Other receivables

Item	December 31, 2020	December 31, 2019
Interest receivable	$ －	$ 2
Tax refund receivable	3	4, 815
Discount receivable	－	4, 098
Government grants receivable	15, 493	611
Investment proceeds receivable	9, 557	－
Others	2, 477	3, 939
Total	$ 27, 530	$ 13, 465

6.6 Inventories

Item	December 31, 2020	December 31, 2019
Raw materials	$ 213, 644	$ 309, 560
Supplies	93, 857	127, 827
Work in process	130, 879	141, 337
Finished goods	676, 479	1, 103, 008
Finished goods purchased from outside	25, 867	13, 652
In-transit raw materials	10, 942	107, 157
Subtotal	1, 151, 668	1, 802, 541
Less： Valuation allowance	(69, 338)	(160, 694)
Net amount	$ 1, 082, 330	$ 1, 641, 847

1. Cost of goods sold and other operating costs：

Item	2020	2019
Cost of goods sold	$ 7,341,764	$ 11,758,877
Plus：Outsourced processing costs	22,561	973
Plus：Unallocated labor and overheads	339,182	168,012
Plus：Loss on inventory scrapings	3,183	2,909
Less：Gain on inventory counts, net	–	21
Less：Gain from price recovery of inventories	(159)	–
Less：Scrap sales	(91,356)	(52,444)
Recorded operating cost	(24,031)	(21,704)
Cost of goods sold	$ 7,591,144	$ 11,856,644

2. In the years of 2020 and 2019, the Group recorded $91,356 thousand and $52,444 thousand of gain from price recovery of inventories, respectively, mainly due to price recovery of inventories and consumption of stock.
3. The Group has no inventories pledged to others.

6.7 Prepayments

Item	December 31, 2020	December 31, 2019
Prepayments for materials	$ 15,069	$ 10,974
Prepaid insurance	695	700
Office supplies	281	275
Input VAT	465	398
Excess sales tax paid	78	80
Others	2,399	3,787
Total	$ 18,987	$ 16,214

6.8 Other financial assets - current

Item	December 31, 2020	December 31, 2019
Restricted bank deposits	$ –	$ 3,778

1. Restricted bank deposits are guarantee time deposits for research and development contracts; please refer to Note 8 for details.
2. The Group assesses that the expected credit risk for the above financial assets is not high, and the credit risk after initial recognition does not increase.

6.9 FVTOCI financial assets - noncurrent

Item	December 31, 2020	December 31, 2019
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.	22, 950	25, 500
Ability Asia Capital Corp.	20, 000	20, 000
Subtotal	182, 352	184, 902
Plus：Valuation adjustment	26, 357	14, 109
Net amount	$ 208, 709	$ 199, 011

1. The Group'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.
2. 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 Group were cancelled due to the capital reduction, and the returned capital was $2,550 thousand.
3. Using October 5, 2019 as the base date, Ability I Venture Capital Corp. reduced its capital by cash and cancelled 15,000 thousand shares of its common shares, totaled $150,000 thousand, with capital reduction rate of 15%. 450 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was $4,500 thousand.
4. In 2020 and 2019, the net gain (loss) due to fair-value fluctuations was $12,248 thousand and $22,052 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.
5. None of the Group's held FVTOCI financial assets is offered as collateral or pledged to others.

6.10 Investments accounted for using the equity method

1. Invested subsidiaries/Subsidiaries not included in Consolidated Financial Statements

	December 31, 2020		December 31, 2019	
Subsidiaries	Book value	Holding %	Book value	Holding %
ZIS Holding Co., Ltd.	$ −	100%	$ −	100%

2. ZIS Holding Co., Ltd. is the Group's 100% foreign investee company. The Group 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. The shares of profit (loss) and other comprehensive income from the subsidiaries under equity method in 2020 and 2019 were evaluated and recognized according to the audited financial statements of the investee companies in the respective periods.
4. None of investments under equity method held by the Group were pledged to others.
5. Regarding the business nature, main operating locations, country of business registration of the above subsidiaries and their investments in Mainland China, please refer to Note 13.1,2-10, and Note 13.3.
6. The Group's invested subsidiary, ZIS Holding Co., Ltd., conducts investments in various businesses other than Taiwan region according to instructions by management policies of the parent company. As of December 31, 2020 and 2019, the total asset, total liability and total equity of the Group'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 Consolidated Financial Statements.

6.11 Property, plant and equipment

Item	December 31, 2020	December 31, 2019
Land	$ 1,786,837	$ 1,786,837
Buildings	2,939,680	2,893,263
Machinery	8,983,012	8,439,161
Transportation equipment	80,624	81,781
Other equipment	258,297	249,745
Equipment to be inspected and construction in progress	270,825	393,458
Total cost	14,319,275	13,844,245
Less： Accumulated depreciation	(9,581,227)	(9,095,345)
Less：Accumulated impairment	(2,175)	(2,175)
Net amount	$ 4,735,873	$ 4,746,725

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

Item	Land	Buildings	Machinery	Transportation equipment	Other equipment	Equipment to be inspected and construction in progress	Total
Cost：							
Balance, January 1, 2019	$1,786,837	$2,887,258	$ 8,623,385	$ 81,952	$ 247,212	$ 60,638	$13,687,282
Additions	−	1,170	10,529	1,155	2,400	211,498	226,752
Disposals	−	−	(237,755)	(1,326)	(8,236)	−	(247,317)
Reclassification	−	4,835	43,002	−	8,369	121,322	177,528
Balance, December 31, 2019	$1,786,837	$2,893,263	$ 8,439,161	$ 81,781	$ 249,745	$ 393,458	$13,844,245
Accumulated depreciation and impairment：							
Balance, January 1, 2019	$ −	$1,337,570	$ 7,232,807	$ 72,073	$ 187,950	$ −	$ 8,830,400
Depreciation expense	−	92,337	402,610	3,250	12,832	−	511,029
Disposals	−	−	(234,656)	(1,326)	(7,927)	−	(243,909)
Reclassification	−	−	−	−	−	−	−
Balance, December 31, 2019	$ −	$1,429,907	$ 7,400,761	$ 73,997	$ 192,855	$ −	$ 9,097,520

Note：The net increase from reclassifications of inventories in 2020 and 2019 were $37,672 thousand and $42,910 thousand, respectively and reclassifications from prepayments for equipment were $338,456 thousand and $134,618 thousand, respectively.

1. The Group'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	2020	2020
Increase in property, plant and equipment	$ 175,711	$ 226,752
Plus：Decrease (increase) in payables for equipment	(6,670)	(15,511)
Cash payment	$ 169,041	$ 211,241

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 Group'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 Group, as of December 31, 2020 and 2019, the Group 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 Group were pledged to others.

6.12 Leases

1. Right-of-use assets

Item	December 31, 2020	December 31, 2019
Buildings	$ 68,195	$ 70,102
Machinery equipment	34,734	34,646
Transportation equipment	-	8,453
Total cost	102,929	113,201
Less：Accumulated depreciation	(24,495)	(14,126)
Less：Accumulated impairment	-	-
Net amount	$ 78,434	$ 99,075

Item	Buildings	Machinery equipment	Transportation equipment	Total
Cost：				
2020.01.01 balance	$ 70,102	$ 34,646	$ 8,453	$ 113,201
Addition/Remeasurement	-	88	(613)	(525)
Disposal/Write-offs	(1,886)	-	(7,840)	(9,726)
Foreign exchange effect	(21)	-	-	(21)
2020.12.31 balance	$ 68,195	$ 34,734	$ -	$ 102,929
Accumulated depreciation and impairment：				
2020.01.01 balance	$ 5,522	$ 6,913	$ 1,691	$ 14,126
Depreciation expense	6,121	6,950	382	13,453
Disposal/Write-offs	(1,009)	-	(2,073)	(3,082)
Foreign exchange effect	(2)	-	-	(2)
2020.12.31 balance	$ 10,632	$ 13,863	$ -	$ 24,495

Item	Buildings	Machinery equipment	Transportation equipment	Total
Cost：				
2019.1.1 balance	$ －	$ －	$ －	$ －
Transferred in from IFRS 16 retrospective application	72,763	34,428	8,453	115,644
Addition/Remeasurement	3,147	218	－	3,365
Disposal/Write-offs	(5,694)	－	－	(5,694)
Foreign exchange effect	(114)	－	－	(114)
2019.12.31 balance	$ 70,102	$ 34,646	$ 8,453	$ 113,201
Accumulated depreciation and impairment：				
2019.1.1 balance	$ －	$ －	$ －	$ －
Depreciation expense	6,732	6,913	1,691	15,336
Disposal/Write-offs	(1,192)	－	－	(1,192)
Foreign exchange effect	(18)	－	－	(18)
2019.12.31 balance	$ 5,522	$ 6,913	$ 1,691	$ 14,126

2. Lease liabilities

	December 31, 2020		December 31, 2019	
Item	Current	Noncurrent	Current	Noncurrent
Buildings	$ 5,370	$ 52,965	$ 5,861	$ 59,059
Machinery equipment	7,551	14,114	7,489	20,999
Transportation equipment	－	－	1,814	5,122
Total	$ 12,921	$ 67,079	$ 15,164	$ 85,180

Item	Buildings	Machinery equipment	Transportation equipment	Total
Lease liabilities：				
2020.01.01 balance	$ 64,920	$ 28,488	$ 6,936	$ 100,344
Addition/Remeasurement	－	88	(613)	(525)
Disposal/Write-offs	(881)	－	(5,806)	(6,687)
Lease principal repayment	(5,685)	(6,911)	(517)	(13,113)
Foreign exchange effect	(19)	－	－	(19)
2020.12.31 balance	$ 58,335	$ 21,665	$ －	$ 80,000

Item	Buildings	Machinery equipment	Transportation equipment	Total
Lease liabilities：				
2019.1.1 balance	$ －	$ －	$ －	$ －
Transferred in from IFRS 16 retrospective application	72,763	34,428	8,453	115,644
Addition/Remeasurement	3,147	218	－	3,365
Disposal/Write-offs	(4,513)	－	－	(4,513)
Lease principal repayment	(6,358)	(6,158)	(1,517)	(14,033)
Foreign exchange effect	(119)	－	－	(119)
2019.12.31 balance	$ 64,920	$ 28,488	$ 6,936	$ 100,344

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

Item	Expected lease period (including renewal rights)	December 31, 2020	December 31, 2019
Buildings	3～15 years	0.69%～1.42%	0.69%～1.42%
Machinery equipment	5 years	1.00%	1.00%
Transportation equipment	5 years	1.00%	1.00%

(2) Maturity analysis for the Group’s lease liabilities：

Item	December 31, 2020	December 31, 2019
Within 1 year	$ 13,902	$ 16,342
Over 1 year but within 5 years	34,027	48,422
Over 5 years but within 10 years	23,839	23,840
Over 10 years but within 15 years	14,304	19,072
Over 15 years but within 20 years	－	－
Over 20 years	－	－
Undiscounted total lease payments	$ 86,072	$ 107,676

3. Material leasing activities and terms

(1) The Group leases buildings, machinery equipment and transportation equipment, etc. Upon termination of the leases, the Group 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 Group 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 Group's lease contract contain enforceable option for the Group to extend the leases. Such clauses are general practices of the lessors to enable the Group to have more flexibility in business operations and use the assets more efficiently. When the Group determines the lease periods, all facts and situations of economic incentives generated from exercising the right to extend the leases are considered. Based on assessment on exercising the lease extension rights, on December 31, 2020 and 2019, the sight-of-use assets were increased by $66,599 thousand and $83,597 thousand, respectively；the lease liabilities were increased by $68,163 thousand and $84,154 thousand, respectively.

4. Sublease：None

5. Other relevant information on leases

In 2020 and 2019, based on the operating lease contracts, the Group recorded rental income of $75,231 thousand and $75,663 thousand, respectively, none of which was gain from variable lease payments.

Regarding the Group's agreements for leasing out investment properties under operating lease, please refer to Note 6.13-6.

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

Item	2020		2019	
Short-term lease expense	$	143	$	119
Low-value-assets lease expense		－		－
Expense on variable lease payments		－		－
Total	$	143	$	119
Interest expense on lease liabilities	$	1, 133	$	1, 341
Gain from sublease of right-of-use assets	$	－	$	－
Gain (loss) generated from amendment of lease transactions	$	43	$	11

The Group 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 2020 and 2019, the total cash out flows were $14,389 thousand and $15,493 thousand, respectively.

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

6.13 Investment properties

Item	December 31, 2020	December 31, 2019
Land	$ 583, 429	$ 583, 429
Land improvements	418, 746	418, 746
Subtotal	1, 002, 175	1, 002, 175
Less： Accumulated depreciation	(356, 990)	(345, 438)
Less： Accumulated impairment	－	－
Net amount	$ 645, 185	$ 656, 737

Item	Land	Land improvements	Total
Cost：			
Balance, January 1, 2020	$ 583, 429	$ 418, 746	$ 1, 002, 175
Additions	－	－	－
Disposals	－	－	－
Reclassification	－	－	－
Balance, December 31, 2020	$ 583, 429	$ 418, 746	$ 1, 002, 175
Depreciation and impairment：			
Balance, January 1, 2020	$ －	$ 345, 438	$ 345, 438
Depreciation expense	－	11, 552	11, 552
Disposals	－	－	－
Reclassification	－	－	－
Balance, December 31, 2020	$ －	$ 356, 990	$ 356, 990

Item	Land	Land improvements	Total
Cost：			
Balance, January 1, 2019	$ 583, 429	$ 418, 746	$ 1, 002, 175
Additions	－	－	－
Disposals	－	－	－
Reclassification	－	－	－
Balance, December 31, 2019	$ 583, 429	$ 418, 746	$ 1, 002, 175
Depreciation and impairment：			
Balance, January 1, 2019	$ －	$ 321, 064	$ 321, 064
Depreciation expense	－	24, 374	24, 374
Disposals	－	－	－
Reclassification	－	－	－
Balance, December 31, 2019	$ －	$ 345, 438	$ 345, 438

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	2020	2019
Rental income from investment properties	$ 75, 110	$ 75, 542
Direct operating expenses arising from the investment properties that generated rental income during the period	$ 18, 745	$ 30, 525
Direct operating expenses arising from the investment properties that did not generate rental income during the period	$ -	$ -

3. The Group's investment properties are located at Meishi Section, Yangmei District, Taoyuan City, Chungxing Section, Pingzhen District, Taoyuan City and Beigang Section, Dayuan District, Taoyuan City. Since those sections are 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 Group, the investment properties are not impaired.
5. All investment properties held by the Group were self-owned and not pledged to others.
6. Lease agreements – the Group as lessor

   The lease contract periods of the Group' 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, 2020	December 31, 2019
1st year	$ 76, 416	$ 52, 430
2nd year	76, 416	47, 808
3rd year	28, 076	23, 668
4th year	18, 858	18, 840
5th year	18, 948	19, 290
Over 5 years	243, 432	162, 828
Total	$ 462, 146	$ 324, 864

6.14 Intangible assets

Item	December 31, 2020		December 31, 2019	
Cost of computer software	$	6,284	$	7,207
Less： Accumulated amortization	(	5,233)	(	4,343)
Less： Accumulated impairment		–		–
Net amount	$	1,051	$	2,864

Item	2020		2019	
Cost of computer software：				
Beginning balance	$	7,207	$	7,815
Addition – from individual		76		769
Disposal / Write-off	(	999)	(	1,377)
Reclassification		–		–
Ending balance	$	6,284	$	7,207
Accumulated amortization and impairment：				
Beginning balance	$	4,343	$	3,481
Amortization expense		1,889		2,239
Disposal / Write-off	(	999)	(	1,377)
Reclassification		–		–
Ending balance	$	5,233	$	4,343

1. The amount of capitalized borrowing cost and interest interval of intangible assets： None
2. The Group’s intangible assets are depreciated at straight-line method based on the following useful live：

   Computer software 3 years
3. After careful assessment by the Group, the Group’s intangible assets are not impaired.
4. No intangible assets held by the Group were pledged to others.

5. Amortization of intangible assets by function：

Item	2020	2019
Operating cost	$ 374	$ 352
Operating expense		
Sales expense	–	–
Administration expense	1,515	1,887
R&D expense	–	–
Subtotal	1,515	1,887
Total	$ 1,889	$ 2,239

6.15 Guarantee deposits paid

Item	December 31, 2020	December 31, 2019
Rental deposits - lessee	$ 293	$ 294
Deposits for natural gas	24,021	5,643
Membership deposits	500	500
Others	129	115
Total	$ 24,943	$ 6,552

6.16 Other noncurrent assets - other

Item	December 31, 2020	December 31, 2019
Long-term prepaid expenses	$ 1,094	$ 2,183
Pallets	31,314	35,510
Total	$ 32,408	$ 37,693

Item	2020	2019
Other noncurrent assets		
Beginning balance	$ 37,693	$ 43,384
Addition– from individual	20,845	22,435
Amortization expense	(26,130)	(28,126)
Ending balance	$ 32,408	$ 37,693

6.17 Short-term borrowings

Item	December 31, 2020	December 31, 2019
Credit loans	$ 710,000	$ 1,184,000
Interest rates	0.52%~0.89%	0.86%～0.89%

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

6.18 Short-term notes and bills payable

Item	December 31, 2020	December 31, 2019
Commercial paper	$ 450,000	$ -
Less：Unamortized discount	(66)	-
Net amount	$ 449,934	$ -
Interest rates	0.39%~0.60%	-

The commercial papers of the Group 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.

6.19 Financial liabilities measured at fair value through profit or loss - current

Item	December 31, 2020	December 31, 2019
Mandatorily measured at FVTPL		
Derivative - foreign exchange swap contract	$ -	$ 1,623

Please refer to Note 6.2-3 for details.

6.20 Other payables

Item	December 31, 2020	December 31, 2019
Payroll and bonus	$ 133,034	$ 142,321
Interest payable	188	273
Insurance payable	13,752	15,025
Transportation fees	7,167	6,192
Utilities	44,395	44,490
Export fees	22,340	11,150
Processing outsourcing fees	193	437
Professional service fees	1,237	1,235
Taxes payable	7,220	6,819
Sales tax payable	6,424	4,418
Payables for equipment	37,250	30,580
Investment proceeds payable	12,485	-
Others	18,313	21,917
Total	$ 303,998	$ 284,857

6.21 Provisions - current

Item	December 31, 2020		December 31, 2019	
Employee benefits – paid leaves	$	24, 573	$	25, 163

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	2020		2019	
Beginning balance	$	25, 163	$	24, 922
Addition		24, 584		25, 260
Used amount	(	25, 174)	(	25, 019)
Reversal amount		–		–
Ending balance	$	24, 573	$	25, 163

6.22 Other current liabilities – other

Item	December 31, 2020		December 31, 2019	
Receipts under custody	$	936	$	991

6.23 Pension benefit plans

Item	December 31, 2020		December 31, 2019	
Defined benefit plan	$	106, 415	$	113, 983
Defined contribution plan		5, 134		5, 611
Total	$	111, 549	$	119, 594

1.Defined benefit plan

(1) The Company of the Group 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. The pension fund is managed by the government's designated authorities and the Company has no right to influence their investment strategies.

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

Item	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 119,362	$ 127,809
Fair value of plan assets	(12,947)	(13,826)
Net defined benefit liability	$ 106,415	$ 113,983

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

Item	2020	2019
Balance at January 1	$ 127,809	$ 148,984
Current service cost	–	–
Interest expense	956	1,478
Actuarial (gains)	(2,383)	(4,271)
Remeasurements – actuarial loss (gain)：		
Effect of change in demographic assumptions	1	840
Effect of change in financial assumptions	5,548	4,583
Experience adjustments	(4,422)	(1,370)
Paid benefits	(591)	(2,174)
Repayments (Note)	(7,556)	(20,261)
Balance at December 31	$ 119,362	$ 127,809

Note：In 2019, the paid benefits include $16,176 thousand of payments for plan assets and $4,085 thousand of benefit payments in the Company's books.

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

Item	2020	2019
Balance at January 1	$ 13,826	$ 24,193
Interest income	112	246
Remeasurements：		
Return on plan assets in addition to net interest	538	846
Contribution by employer	6,618	6,891
Benefits paid from plan assets	(591)	(2,174)
Repayments from plan assets	(7,556)	(16,176)
Balance at December 31	$ 12,947	$ 13,826

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

Item	2020	2019
Current service cost	$ －	$ －
Interest expense of define benefit obligations	956	1,478
Loss (gain) on repayments	(2,383)	(4,271)
Interest income from plan	(112)	(246)
Recorded in loss (gain)	($ 1,539)	($ 3,039)

Item	2020	2019
Remeasurements：		
Effect of change in demographic assumptions	$ 1	$ 840
Effect of change in financial assumptions	5,548	4,583
Experience adjustments	(4,422)	(1,370)
Return on plan assets in addition to net interest	(538)	(846)
Recognized in other comprehensive loss (income)	$ 589	$ 3,207

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

Item	2020	2019
Operating cost	($ 1,301)	($ 2,551)
Operating expense		
Sales expense	(72)	(164)
Administration expense	(141)	(280)
R&D expense	(25)	(44)
Subtotal	(238)	(488)
Total	($ 1,539)	($ 3,039)

(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 according 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, 2020 and 2019, 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	2020	2019
Discount rate	0.40%	0.75%
Future salary increase rate	2.00%	2.00%
The weighted average duration of the defined benefit obligation	12 years	13 years

Assumptions on future mortality experience are set based on the 5th 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, 2020 and 2019 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% increase	0.25% decrease	0.25% increase	0.25% decrease
December 31, 2020				
Effects to present value of defined benefit obligation	($ 3,729)	$ 3,895	$ 3,823	($ 3,681)
December 31, 2019				
Effects to present value of defined benefit obligation	($ 4,161)	$ 4,350	$ 4,285	($ 4,121)

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 are $2,635 thousand and $1,043 thousand, respectively.

2. Defined contribution plan

(1) The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Group and its domestic subsidiaries make 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) Pension benefits for employees of subsidiaries overseas were provided in accordance with the local regulations. The employees' pensions are organized and managed by the governments and paid by local governments in a lump sum amount or paid monthly according to the regulations, no further obligation.

(3) According to the above defined contribution plan, the Group had recorded $31,978 thousand and $33,546 thousand of pension expense in 2020 and 2019, respectively ; As of December 31, 2020 and 2019, according to the above defined contribution plan, the Company had recognized $5,134 thousand and $5,611 thousand of net defined benefit liability, respectively.

(4) The above amounts of pension costs under defined contribution plan recognized in profit or loss are shown by function as below：

Item	2020	2019
Operating cost	$ 26, 862	$ 27, 923
Operating expense		
Sales expense	1, 674	1, 658
Administration expense	2, 086	2, 371
Research and development expense	1, 356	1, 594
Subtotal	5, 116	5, 623
Total	$ 31, 978	$ 33, 546

6.24 Guarantee deposits received

Item	December 31, 2020	December 31, 2019
Rental deposits – rent out	$ 22, 614	$ 22, 614
Others	550	1, 050
Total	$ 23, 164	$ 23, 664

6.25 Share capital

Item	December 31, 2020	December 31, 2019
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)	550, 001	611, 763
Raised capital	$ 5, 500, 014	$ 6, 117, 634

1. The par value of each issued common stock is NT$10, each share has 1 voting right and right of receiving dividend.
2. 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 and 3 for details.

6.26 Capital surplus

Item	December 31, 2020	December 31, 2019
Additional paid-in capital	$ 316, 656	$ 316, 656
Surplus from treasury stock transactions	175, 460	43, 700
Uncollected overdue dividends by shareholders	41	41
Total	$ 492, 157	$ 360, 397

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. . According to the Company's dividend policy, at least 0%~60% of the Company's distributable earnings as of the end of the period shall be appropriated as dividends. 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. In accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, Jin-Guan-Zheng-Fa-Zi Letter No. 1010047490, dated November 21, 2012, and "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 2019 and 2018 earnings have been approved by the shareholders in its meetings on June 22, 2020 and June 24, 2019, respectively. The appropriations and dividends per share were as follows：

Distribution item	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2019	For Fiscal Year 2018	For Fiscal Year 2019	For Fiscal Year 2018
Record legal reserve	$ －	$ 8,998	－	－
Record (reverse) special reserve	－	－	－	－
Cash dividends	－	122,353	－	$ 0.20
Stock dividends	－	－	－	－

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 2020 had been proposed by the Board of Directors on March 26, 2021 (not yet been approved by the shareholders' meeting), which planned distribute cash dividend of NT$0.1 per share ; And planned distribute cash dividend of NT$0.2 per share from capital surplus ; The total cash (dividends) distributable to the shareholders was $159,507 thousand.

6.28 Other equity item

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	435	12,248	12,683
Transferred to profit or loss item	－	－	－
Transferred to retained earnings	－	－	－
Shares Recognized under equity method	－	－	－
Income tax related to other equity items	－	－	－
Balance, December 31, 2020	($ 219)	$ 26,357	$ 26,138

Item	Exchange differences from translation of foreign operations	Unrealized gains or losses for financial assets measured at FVTOCI	Total
Balance, January 1, 2019	($ 343)	($ 7,943)	($ 8,286)
Directly Recognized as other equity adjustment items	(311)	22,052	21,741
Transferred to profit or loss item	−	−	−
Transferred to retained earnings	−	−	−
Shares Recognized under equity method	−	−	−
Income tax related to other equity items	−	−	−
Balance, December 31, 2019	($ 654)	$ 14,109	$ 13,455

6.29 Treasury shares

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

	January 1 to December 31, 2020							
	Beginning balance		Increase in this period		Decrease in this period		Ending balance	
Reason for redemption	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 Group 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 Group 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 Group 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 Group 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 Group 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, 2020, 17,305 thousand treasury shares were bought back, with buy-back cost totaled $160,576 thousand.
5. According to Securities and Exchange Act, the Group 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 Group 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 company credit and the shareholders' rights shall be cancelled and registration filed within 6 months.
7. According to Securities and Exchange Act, the Group's held treasury shares shall not be pledged or entitled to receive dividends or voting rights, etc.

6.30 Operating revenue

Item	2020	2019
Revenue from contracts with customers		
Sales revenue	$ 7, 649, 637	$ 11, 840, 180
Service revenue	25, 970	1, 197
Net amount	$ 7, 675, 607	$ 11, 841, 377

1. Breakdown of revenue from contracts with customers

The Group'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	2020	2019
Sales revenue		
Textured yarn	$ 2, 590, 979	$ 3, 814, 807
Polyester yarn	27, 065	-
Nylon fiber	1, 285, 244	2, 158, 919
Nylon chips	3, 129, 204	5, 273, 595
Composite materials	613, 026	587, 683
Trading of raw materials	4, 119	5, 176
Subtotal	7, 649, 637	11, 840, 180
Service revenue		
Revenue from outsourced manufacturing	25, 970	1, 197
Subtotal	25, 970	1, 197
Total	$ 7, 675, 607	$ 11, 841, 377

2. Contract balance

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

Item	December 31, 2020	December 31, 2019
Contractual assets：None		
Contractual liabilities - current		
Sale of goods	$ 80, 804	$ 86, 989

(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, 2020, 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	2020	2019
Beginning balance of contractual		
Sale of goods	$ 81,799	$ 92,728

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

In 2020 and 2019, the Group 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, 2020 and 2019, the Group 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	2020	2019
Interest on bank deposits	$ 309	$ 391

6.32 Other income

Item	2020	2019
Dividends income	$ 22,806	$ 51,008
Rental income	75,231	75,663
Subsidy income(Note)	150,018	6,133
Income from scrap sales	10,089	18,632
Income from sample sales	3,721	5,159
Income from recovery of packaging materials	2,859	5,496
Income from sale of renewable energy	5,553	5,293
Net income from water testing	3,029	3,067
Others (Note)	3,329	4,526
Total	$ 276,635	$ 174,977

Note：Please refer to Note 12.5-3

6.33 Other gains and losses

Item	2020	2019
Net gains (losses) on financial liabilities at FVTPL	$ 70,570	$ 36,171
Gains (losses) on disposal of property, plant and equipment	(1,145)	(2,137)
Loss on disposal of investments	(55,646)	(52,920)
Net non-financial foreign currency exchange gains (losses)	(13,216)	(341)
Direct operating expenses of investment properties	(18,745)	(30,525)
Depreciation of renewable energy	(1,695)	(1,280)
Gains from lease amendment	43	11
Others	(695)	(2,202)
Total	($ 20,529)	($ 53,223)

6.34 Financial cost

Item	2020	2019
Interest expense		
Interest on borrowing from financial institutions	$ 9,927	$ 15,509
Imputed interest on deposits	126	126
Interest on lease liabilities	1,133	1,341
Other	188	–
Subtotal	11,374	16,976
Fees related to issuing CP	504	16
Net financial foreign currency exchange (gains) losses	(275)	(4,222)
Less：Capitalized amount	–	–
Total	$ 11,603	$ 12,770

6.35 Employee benefits, depreciation and amortization expense

By nature	2020 Operating costs	2020 Operating expenses	2020 Total	2019 Operating costs	2019 Operating expenses	2019 Total
Employee benefits						
Salary	$ 650, 812	$112, 834	$ 763, 646	$ 710, 548	$115, 841	$ 826, 389
Labor and health insurance	62, 867	10, 873	73, 740	66, 293	12, 719	79, 012
Pension expense	25, 561	4, 878	30, 439	25, 372	5, 135	30, 507
Other benefits	19, 090	6, 745	25, 835	24, 300	5, 996	30, 296
Depreciation (Note)	556, 196	16, 901	573, 097	507, 362	17, 723	525, 085
Amortization	25, 547	2, 471	28, 018	27, 522	2, 843	30, 365
Total	$1, 340, 073	$154, 702	$1, 494, 775	$1, 361, 397	$160, 257	$1, 521, 654

Note：The depreciation expenses for renewable energy equipment (recorded in property, plant and equipment) in 2020 and 2019 were $1,695 thousand and $1,280, respectively, and recorded as non-operating income and expenses – other ; The depreciation expenses of investment properties in 2020 and 2019 were $11,552 thousand and $24,374 thousand, respectively, and recorded as non-operating income and expenses – other (direct operating expenses for investment properties).

1. According to the corporate charter, if the Company has profit in a year, it shall allocate 2% as employees' compensation and may allocate no more than 3% as remuneration for directors and supervisors. but if the Company has accumulated losses, the profit shall first reserve for offsetting losses.
2. 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. The Company had before-tax losses in 2020 and 2019, therefore, no payable compensation to employees, directors and supervisors was 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.

3. On March 26, 2021 and March 20, 2020, the Company's Board of Directors had passed resolution not to distribute compensation to employees, directors and supervisors for 2020 and 2019, respectively.
4. 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, 2020	$ 1,184,000	$ -	$ 100,344	$ 23,664
Net changes in financing cash flows	(474,000)	450,000	(13,113)	(500)
Noncash changes – lease addition/remeasurement	-	-	(525)	-
Noncash changes – lease disposal/write-offs	-	-	(6,687)	-
Noncash changes - note discounts	-	(66)	-	-
Noncash changes - foreign exchange effect	-	-	(19)	-
December 31, 2020	$ 710,000	$ 449,934	$ 80,000	$ 23,164

Item	Short-term borrowings	Short-term notes payable	Lease liabilities	Guarantee deposits received
Balance, January 1, 2019	$ 2,139,000	$ -	$ -	$ 23,944
Effects from retrospective adoption of IFRS 16	-	-	115,644	-
Net changes in financing cash flows	(955,000)	-	(14,033)	(280)
Noncash changes - lease addition/remeasurement	-	-	3,365	-
Noncash changes - lease disposal/write-offs	-	-	(4,513)	-
Noncash changes - foreign exchange effect	-	-	(119)	-
December 31, 2019	$ 1,184,000	$ -	$ 100,344	$ 23,664

6.37 Income tax

1. Components of income tax expense:

(1) Income tax expense recognized in profit or loss

Item	2020	2019
Current income tax	$ 182	$ 237
Deferred income tax expense (benefit)		
Initial occurrence and reversals of temporarily differences	3,089	(39,050)
Net (increase) decrease in deferred income tax	3,089	(39,050)
Adjustments in respect of prior years	2,042	9,700
Income tax expense (benefit) recognized in profit or loss	$ 5,313	($ 29,113)

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

Item	2020	2019
Deferred income tax		
Re-measurement of defined benefit plan	($ 118)	($ 642)
Income tax expense (benefit) recognized in other comprehensive income	($ 118)	($ 642)

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

Item	2020	2019
Income (loss) before tax for continuing operations	($ 34,802)	($ 331,751)
Income tax expense (benefit) at the statutory tax rate	(6,960)	(66,350)
Income tax effects from adjustment items：		
Items excluded when determining taxable income	(35,872)	(10,369)
Additional tax under minimum tax system	23	24
Additional income tax on unappropriated earnings	－	－
Operating loss carryforward generated	43,077	76,858
Operating loss carryforward used	－	－
Investment deduction utilized	－	－
Effects from different tax rates of the consolidated entities	(86)	74
Income tax payable in the current period	182	237
Net (increase) decrease in deferred income tax	3,089	(39,050)
Income tax adjustments for prior years	2,042	9,700
Income tax expense (benefit) recorded in profit or loss	$ 5,313	($ 29,113)

The income tax rate for the Group entities under the tax laws of Republic of China is 20%；The applicable tax rate for the subsidiaries in Mainland China is 25%；The tax amounts in other regions are computed according to the tax rates applicable in the respective regions.

3. Income tax assets (liabilities)

Item	December 31, 2020	December 31, 2019
Income tax assets in the current period		
Prepaid income tax	$ 9	$ 5
Income tax liabilities in the current period		
Current-period income tax expense	$ 182	$ 237
Less：Offset by prepaid income tax	(38)	(170)
Total	$ 144	$ 67

4. Balance of deferred income tax assets (liabilities)

	2020			
Item	January 1	Profit or loss	Other comprehensive income	December 31
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
Unrealized gain from sale	152	(108)	–	44
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	$ 131,808	(3,089)	118	$ 128,837
Deferred tax liabilities				
Reserve for Land Value Increment Tax	$ 137,395	$ –	$ –	$ 137,395
Total	$ 137,395	–	–	$ 137,395
Net increase (decrease)		($ 3,089)	$ 118	

Item	2019 January 1	Profit or loss	Other comprehensive income	December 31
Deferred income tax assets				
Loss on market price decline and obsolete/ slow-moving inventories	$ 31, 828	$ 311	$ –	$ 32, 139
Unrealized exchange loss	562	1, 018	–	1, 580
Unrealized gain from sale	130	22	–	152
Accrued vacation pays	4, 984	48	–	5, 032
Defined benefit obligation plan	48, 025	(25, 870)	642	22, 797
Different treatments on depreciation between financial and tax	6, 152	(1, 774)	–	4, 378
Impairment loss on tangible assets	435	–	–	435
Operating loss carryover (Note)	–	65, 295	–	65, 295
Total	$ 92, 116	39, 050	642	$ 131, 808
Deferred tax liabilities				
Reserve for Land Value Increment Tax	$ 137, 395	$ –	$ –	$ 137, 395
Total	$ 137, 395	–	–	$ 137, 395
Net increase (decrease)		$ 39, 050	$ 642	

Note：Operating loss carryover recorded in profit or loss is the amount generated in the current period, after subtracting unrecorded amounts that are not quite likely to realize.

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

Item	December 31, 2020	December 31, 2019
Deferred income tax assets		
Operating loss carryover	$ 54, 640	$ 11, 563

6. Unrecognized deferred tax liabilities related to investments

The temporary differences related to the Group’s investments are not recognized because the Group 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, 2020 and 2019, the un-recognized taxable temporary differences related to investments were $1,536 thousand and $807, respectively.

7. As of December 31, 2020, according to the application tax laws, the Group's deferred income tax assets that may be used to offset against payable income tax amount in future years are summarized as below：

Last deductible year	Recorded operating loss carryover		Nonrecorded operating loss carryover		Total	
2029	$	65, 211	$	11, 563	$	76, 774
2030		-		43, 077		43, 077
Total	$	65, 211	$	54, 640	$	119, 851

8. The Group's domestic income tax returns through 2018 had been assessed and approved by the Tax Authority.
9. Since the Group had net loss in 2020, therefore, the potential tax effect from additional income tax on undistributed earnings was not material to the Group.

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.

	2020			2019		
	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 per share						
Net income (loss) attributable to owners of parent company	($ 40,115)	577,795	($ 0.07)	($ 302,638)	611,763	($ 0.49)

7. Related Party Transactions

7.1 Parent company and the ultimate controlling party

The Company is the ultimate controlling party of the Group.

7.2 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
Su, Liao Hsiu Chin and 2 other individuals	Substantial related party
All directors, general manager and vice general managers	Key management

7.3 Significant transactions with related parties

All significant transactions, account balances, revenue/gains and expenses/losses among the Company and subsidiaries (that is, the related parties of the Company) had been eliminated, therefore, not disclosed in these notes. Please refer to Note 13.1,2-11 for the related-party transactions within the Group：

1. Sales

Related party category	2020	2019
Company that key management has significant influence	$ 240,853	$ 555,431

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

2. Purchases

Related party category	2020	2019
Company that key management has significant influence	$ 1,437	$ 2,675

The transaction prices and purchase terms of goods purchased from the Group'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, 2020	December 31, 2019
Su, Liao Hsiu Chin and 2 other individuals	$ 33,284	$ 35,845

(2) Lease liabilities - current

Related party category	December 31, 2020	December 31, 2019
Su, Liao Hsiu Chin and 2 other individuals	$ 2,382	$ 2,348

(3) Lease liabilities - noncurrent

Related party category	December 31, 2020	December 31, 2019
Su, Liao Hsiu Chin and 2 other individuals	$ 31,360	$ 33,741

(4) Interest expense

Related party category	December 31, 2020	December 31, 2019
Su, Liao Hsiu Chin and 2 other individuals	$ 512	$ 545

(5) In 2020 and 2019, the total amount of rents that the Group had paid to Su, Liao Hsiu Chin and 2 other individuals were both $2,861 thousand.

(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. Claims and debts between the Group and the related parties (all interest free)：

(1)Accounts receivable

Related party category	December 31, 2020	December 31, 2019
Company that key management has significant influence	$ 45,496	$ 53,739

(2) Accounts receivable

Related party category	December 31, 2020	December 31, 2019
Company that key management has significant influence	$ 195	$ 440

(3) Other payables

Related party category	December 31, 2020	December 31, 2019
Company that key management has significant influence	$ -	$ 240

5. Others

Item	Related party category	2020	2019
Sale of defect products	Company that key management has significant influence	$ 583	$ 797
Purchase of leftover yarn and empty tubes	Company that key management has significant influence	1,392	2,448

7.4 Key management compensation

Item	2020	2019
Salaries and other short-term employee benefits	$ 30,929	$ 19,972
Termination benefits	－	－
Post-employment benefits	74	92
Other long-term benefits	－	－
Share-based payments	－	－
Total	$ 31,003	$ 20,064

8. Pledged Assets

Pledged time deposits

Pledged asset	Use for the pledge	December 31, 2020	December 31, 2019
Time deposits at First Bank	Guarantee deposit for R&D contract	$ －	$ 3,778

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

9.1 Endorsements and guarantees：None

9.2 Guarantee notes issued

(1) As of December 31, 2020 and 2019, due to entering of comprehensive credit contracts, the Group had issued $800,000 thousand of guarantee notes to the financial institutions for both of the years.

(2) To secure subsidiaries from the R&D plans of Ministry of Economic Affairs, the Group issued to Institute for Information Industry guarantee notes of $0 and $13,491 thousand as of December 31, 2020 and 2019, respectively.

9.3 Guarantee notes received

To ensure collectability for contracts signed, equipment warranty and guarantees for sales contracts, the Group received guarantee notes of $562,548 thousand and $595,568 thousand as of December 31, 2020 and 2019, respectively.

9.4 The unused letters of credit as of December 31, 2020 and 2019 are as follows：(Units：thousand dollars)

Date	Balances of issued yet unused letters of credit
December 31, 2020	NTD426,000、EUR559、USD9,274、JPY524,000
December 31, 2019	NTD191,000、EUR200、USD2,851、JPY128,400

9.5 Capital expenditures committed but not yet paid as of December 31, 2020 and 2019 were NTD111, 387 thousand, and NTD54, 146 thousand.

10. Significant Disaster Losses： None

11. Significant Subsequent Events：

From January 1, 2021 to January 12, 2021, in order to maintain company credit and the shareholders' rights, the Group had bought back 1,008 thousand shares of the Company from the stock exchange market, with buy-back cost totaled $9,993 thousand. The Group 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.

12. Others

12.1 Explanation for seasonal or periodical interim operations

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

12.2 Capital risk management

The Group 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, 2020	December 31, 2019
FVTPL financial assets		
Mandatorily measured at FVTPL	$ 603,174	$ 513,533
FVTOCI financial assets		
Investments in equity instruments	208,709	199,011
Financial assets measured at amortized cost		
Cash and cash equivalents	70,398	79,762
Notes and accounts receivable (including related parties)	1,242,641	1,169,589
Other receivables	27,530	13,465
Other financial assets - current	-	3,778
Refundable deposits	24,943	6,552

Financial liabilities		
Financial liabilities measured at FVTPL		
Mandatorily measured at FVTPL	-	1,623
Financial liabilities measured at amortized cost		
Short-term borrowings	710,000	1,184,000
Short-term notes payable	449,934	-
Notes and accounts payable (including related parties)	478,269	454,219
Other payables (including related parties)	303,998	285,097
Lease liabilities – current and noncurrent	80,000	100,344
Guarantee deposits received	23,164	23,664

2. Financial risk management policies

The Group'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 Group's overall risk management strategy focuses on identifying, assessment and avoiding uncertainties of markets in order to mitigate potential adverse effects on the Group's financial performance from market fluctuations.

The Group'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 Group 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 Group 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 Group engages in businesses that involve several non-functional currencies (the functional currency of the Group is New Taiwan Dollars, and the functional currencies for part of the subsidiaries are CNY and USD), therefore, the Group 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：(including monetary items in non-functional currencies that were written off in the Consolidated Financial Statements)

Item (Foreign currency：functional currency)	December 31, 2020			December 31, 2019		
	Amount in Foreign Currency	Exchange Rate	In NTD	Amount in Foreign Currency	Exchange Rate	In NTD
Financial assets						
Monetary items						
USD：NTD	$ 16,549	28.48	$ 471,316	$ 15,714	29.98	$ 471,106
CNY： NTD	3,496	4.3770	15,302	5,045	4.3050	21,719
Financial liabilities						
Monetary items						
USD：NTD	5,772	28.48	164,387	3,592	29.98	107,688

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 Consolidated Financial Statements.

The Group'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 Group's profit or loss and equity. When the foreign exchange rates appreciate/depreciate by 1%, the Group's net income in 2020 and 2019 would increase/decrease by $2,578 thousand and $3,081 thousand, respectively.

The unrealised net exchange gain (loss) arising from significant foreign exchange movement on the monetary items held by the Group for 2020 and 2019 amounted to $1,822 thousand and $7,902 thousand, respectively. Due to complexity and large volume of transaction in foreign currencies, the unrealised 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 Group'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 Group 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 Group's net income will decrease/increase by $993 thousand and $1,426 thousand for 2020 and 2019, respectively.

C. Price risk

The Group is exposed to the price risk of equity instruments since the investments held by the Group are classified either as financial assets measured at FVTPL or at FVTOCI. In order to manage the price risk of equity instruments, the Group diversifies its investment portfolios, with the diversification methods based on the limits set by the Group. The prices of financial assets measured at FVTPL or at FVTOCI invested by the Group 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 2020 and 2019 would have increased/decreased by $6,032 thousand and $5,119 thousand, respectively；Equity would have increased/decreased by $2,087 thousand and $1,990, respectively.

(2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group'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 Group’s internal rating standards and other factors. In addition, the Group 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 Group's finance department manages credit risks of bank deposits and other financial instruments according to company policies. Since the Group’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 Group 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 Group, the Group regards default has occurred to the financial asset.

In order to reduce credit risks, the management of the Group 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 Group 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.

D. Exposure to credit risk

The Group conducts business with financial intuitions with good credit, and the Group diversifies the credit risk by doing business with several financial institutions, therefore, the expected rate of default is quite low；The Group 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 Group's receivables is not overly centered. Therefore, the maximum exposure amounts of the Group'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, 2020		December 31, 2019	
	Carrying amount	Maximum amount exposed to credit risk	Carrying amount	Maximum amount exposed to credit risk
Cash and cash equivalents	$ 70, 398	$ 70, 398	$ 70, 762	$ 70, 762
Notes receivable	221, 230	221, 230	194, 474	194, 474
Accounts receivable (including related parties)	1, 021, 411	1, 021, 411	975, 115	975, 115
Other receivables	27, 530	27, 530	13, 465	13, 465
Other financial assets - current	–	–	3, 778	3, 778

(3) Liquidity risk

Liquidity risk refers to risk of unable to liquidate by the expected time. The Group 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 Group 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 Group'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 Group 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, 2020						
	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contractual cash flows	Carrying amount
Non-derivative financial liabilities							
Short-term borrowings	$ 711, 921	$ -	$ -	$ -	$ -	$ 711, 921	$ 710, 000
Short-term notes payable	450, 000	-	-	-	-	450, 000	449, 934
Notes payable	106, 687	-	-	-	-	106, 687	106, 687
Accounts payable (including related parties)	371, 582	-	-	-	-	371, 582	371, 582
Other payables	303, 998	-	-	-	-	303, 998	303, 998

Item	December 31, 2019						
	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contractual cash flows	Carrying amount
Non-derivative financial liabilities							
Short-term borrowings	$1, 037, 260	$150, 609	$ -	$ -	$ -	$1, 187, 869	$1, 184, 000
Notes payable	101, 573	-	-	-	-	101, 573	101, 573
Accounts payable (including related parties)	352, 646	-	-	-	-	352, 646	352, 646
Other payables (including related parties)	285, 097	-	-	-	-	285, 097	285, 097
Derivative financial liabilities							
Foreign exchange forward contract							
Outflows	1, 623	-	-	-	-	1, 623	1, 623

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 or indirectly.

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 Group'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, 2020 and 2019, the Group classifies the assets and liabilities based on their nature, characteristics, level of risks and fair value：

	December 31, 2020			
Financial and non-financial instruments	Level 1	Level 2	Level 3	Total
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

	December 31, 2019			
Financial and non-financial instruments	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
FVTPL financial assets - current				
Listed stocks	$ 513,443	$ -	$ -	$ 513,443
Derivative instruments – forward exchange contracts	-	90	-	90
Financial assets measured at FVTOCI – noncurrent				
Non-listed stocks	-	-	199,011	199,011
Total	$ 513,443	$ 90	$ 199,011	$ 712,544
Liabilities				
Recurring fair value				
Financial liabilities measured at FVTPL - current				
Derivatives – foreign exchange swap contracts	$ -	$ 1,623	$ -	$ 1,623

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 Group 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 Consolidated balance sheet date (i.e., yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters). The Group 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 Group 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 Group has to make appropriate estimation-based assumptions. The fair value of the Group'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 Group'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 Group'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 Group 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 Group's credit quality.

5. Transfer between Level 1 and Level 2 of the fair value hierarchy in 2020 and 2019：None

6. Changes in level 3 financial instruments for 2020 and 2019

Item	Non-derivative equity instruments – unlisted stocks	
	2020	2019
Beginning balance	$ 199,011	$ 181,459
Acquisition in this period	−	−
Disposition in this period	−	−
Funds returned from capital reduction in this period	(2,550)	(4,500)
Recognized in other comprehensive income	12,248	22,052
Ending balance	$ 208,709	$ 199,011

7. In 2020 and 2019, the Group did not have fair value transferred in or out from Level 3.

8. According to the Group's valuation procedures for Level 3 fair value classification, the Group'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 December 31, 2020	Valuation technique	Material unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments：					
Un-listed stocks	$ 164,215	Market approach	Liquidation discount	25%	higher liquidation discount, lower fair value results
Venture capital stocks	44,494	Asset approach	NA	NA	NA
Total	$ 208,709				

Item	Fair value as of December 31, 2019		Valuation technique	Material unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments：						
Un-listed stocks	$	156,545	Market approach	Liquidation discount	25%	higher liquidation discount, lower fair value results
Venture capital stocks		42,466	Asset approach	NA	NA	NA
Total	$	199,011				

10. After careful selection of valuation model and the parameters, the Group 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：

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

			2019							
			Recognized in profit or loss				Recognized in other comprehensive income			
Item	Input value	Change	Favorable change		Unfavorable change		Favorable change		Unfavorable change	
Non-derivative equity instruments：										
Un-listed stocks	Liquidation discount	+1%	$	-	$	-	$	-	($	2,087)
		-1%	$	-	$	-	$	2,059	$	-

12.5 Additional disclosure on impacts from COVID-19 pandemic

Due to COVID-19 pandemic, the sales volume of the Group's various products reduced drastically, which led to about 35% reduction in revenue in 2020 compared to previous year.

In response to COVID-19 pandemic, the Group had adopted the following actions：

1. Adjust operating strategies

   Regarding shrunken and stalled sales volume, in order to prevent accumulating inventories, the factories responded in reducing or productions while performing assessment on total halt of productions. In addition, future economic recovery and favorable business directions are considered and lean production strategy is adopted instead to sustain ongoing business operations.

2. Financing strategy

   Considering the economic impact from the pandemic, strove toward balancing of production and sales to reduce financial pressure from excessive inventories. In addition, tight policies such as temporarily reducing the various entertainment, using of private cars for business use, reducing telephone expenses, etc. to save operating expenses and to stabilize financial structure.

3. Government reliefs

   The Group had applied various subsidiaries with the government covering business operating funds, salaries, etc. and deductions on various utility expenses. As of December 31, 2020, total $149,694 thousand of pandemic subsidiary income had been recorded, and the total reduced utility expenses was $52,151 thousand.

Based on available information on the balance sheet date, in making material accounting estimates, the Group had considered the impacts from the pandemic on the economy. Although the government had gradually eased policy restrictions due to stabilizing conditions of the pandemic domestically, most countries are still under lockdown. The global economy continues to shrink, and consumer behaviors also change, the Group has uncertainty on the timing of returning to normal operations. With stabilizing conditions of the pandemic and ease of policy restrictions, the Group expects that the operations would gradually return to normal.

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, 2020			
					Number of shares	Book value	Ownership (%)	Fair value
Zig Sheng Industrial Co., Ltd.	Stock	FORMOSA PLASTICS CORPORATION	—	FVTPL financial assets - current	734	$ 18,691	0.13	$ 18,691
		UPC TECHNOLOGY CORPORATION	—	FVTPL financial assets - current	657	12,614	0.05	12,614
		CHINA PETROCHEMICAL DEVELOPMENT CORPORATION	—	FVTPL financial assets - current	500	5,825	0.02	5,825
		TAINAN SPINNING CO., LTD.	—	FVTPL financial assets - current	3,008	45,125	0.18	45,125
		LEALEA ENTERPRISE CO., LTD.	—	FVTPL financial assets - current	632	8,347	0.07	8,347
		LI PENG ENTERPRISE CO., LTD.	—	FVTPL financial assets - current	413	3,725	0.05	3,725
		YI JINN INDUSTRIAL CO., LTD.	—	FVTPL financial assets - current	8,623	142,280	2.86	142,280
		LAN FA TEXTILE CO., LTD.	—	FVTPL financial assets - current	1,320	11,920	0.37	11,920
		DE LICACY INDUSTRIAL CO., LTD.	—	FVTPL financial assets - current	3,565	66,318	0.93	66,318
		ECLAT TEXTILE CO., LTD.	—	FVTPL financial assets - current	203	85,609	0.07	85,609
		NANTEX INDUSTRY CO., LTD.	—	FVTPL financial assets - current	1,980	120,978	0.40	120,978
		Winbond Electronics Corporation	—	FVTPL financial assets - current	761	22,104	0.02	22,104
		YANG MING MARINE TRANSPORT CORPORATION	—	FVTPL financial assets - current	500	14,625	0.02	14,625
		Cathay Financial Holding Co., Ltd.	—	FVTPL financial assets - current	300	12,675	-	12,675
		SHIN KONG FINANCIAL HOLDING CO., LTD.	—	FVTPL financial assets - current	834	7,345	0.01	7,345
		INNOLUX CORPORATION	—	FVTPL financial assets - current	500	7,050	0.01	7,050
		RICH DEVELOPMENT CONSTRUCTION CO., LTD.	—	FVTPL financial assets - current	550	5,771	0.07	5,771
		Capital Securities Corporation	—	FVTPL financial assets - current	300	4,065	0.01	4,065
		FENG TAY ENTERPRISES CO., LTD.	—	FVTPL financial assets - current	40	7,900	-	7,900
		LILYENT CORP.	—	FVTOCI financial assets - noncurrent	2,881	64,942	4.01	64,942
		Yen Hsing Textile Co., Ltd.	The Company is the director of the company	FVTOCI financial assets - noncurrent	8,732	78,586	13.99	78,586
		YI TONG FIBER CO., LTD.	—	FVTOCI financial assets - noncurrent	1,341	19,302	1.52	19,302
		CHU SING INDUSTRIAL CO., LTD.	—	FVTOCI financial assets - noncurrent	29	1,385	3.32	1,385
		Ability I Venture Capital Corp.	The Company is the supervisor of the company	FVTOCI financial assets - noncurrent	2,295	21,734	3.00	21,734
		ABILITY ASIA CAPITAL CORP.	The Company is the supervisor of the company	FVTOCI financial assets - noncurrent	2,000	22,760	1.04	22,760

4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital：None

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	$240,853	3.15%	15 days after month closing	No significant difference	No significant difference	Accounts receivable $45,496	Accounts receivable 4.37%

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, 2020	December 31, 2019	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 6.10
	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%	$16,564	$ 3,010	$ 2,879	Include $131 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%	4,828	2,155	2,179	Include $24 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%	(2,671)	2,156	2,156	

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.

11. Business Relationships between Parent and Subsidiaries and Significant Transactions

Company Name	Counter-party	Nature of Relationships	Transaction Details			
			Account	Amount	Transaction Terms	% to Total
Zig Sheng Industrial Co., Ltd.	Suzhou Hongsheng Trading Co., Ltd.	Parent to subsidiary	Sales revenue	$ 54,655	Per agreement based on general market price	0.71%
			Accounts receivable	15,300	T/T 90 days settled monthly	0.17%
			Other income	2,369	Per agreement based on general market price	0.03%
			Realized sales gains	597	-	0.01%
			Unrealized sales gains	73	-	-
	Ding Sheng Material Technology Corporation Limited	Parent to subsidiary	Rental income	96	Per agreed contract	-
			Other income	185	Per agreement based on general market price	-
			Notes receivable	66	T/T 90 days settled monthly	-
	Ding Sheng Material Technology Corporation	Parent to subsidiary	Sales revenue	22,617	Per agreement based on general market price	0.29%
			Accounts receivable	18,373	T/T 180 days settled monthly	0.21%
			Realized sales gains	27	-	-
			Unrealized sales gains	297	-	-
Suzhou Hongsheng Trading Co., Ltd.	Zig Sheng Industrial Co., Ltd.	Subsidiary to parent	Sales revenue	70	Per agreement based on general market price	-
			Other income	51	Per agreement based on general market price	-
			Other receivables	4	T/T 90 days settled monthly	-
Ding Sheng Material Technology Corporation	Zig Sheng Industrial Co., Ltd.	Subsidiary to parent	Other income	45	Per agreement based on general market price	-

Note：(1) Regarding the same transaction between the parent and subsidiary company, the transaction is not required to be disclosed repetitively. For example, regarding a transaction of parent company toward a subsidiary, if the parent company had disclosed, then the subsidiary portion is not required to be disclosed repetitively ; Regarding transactions among subsidiaries, if a subsidiary had disclosed, then the other subsidiary is not required to disclose repetitively.

(2) Regarding computation for the ratios of the transaction amounts over the total consolidated revenue or the total assets, for asset and liability items, the ratios are computed as the ending balances over the total consolidated assets ; For profit or loss items, the ratios are computed as the interim accumulated amounts over the total consolidated revenue.

(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.	Manufacture of special industrial textile, highly simulated artificial fiber, high-quality dyes and printing on fabrications, aft processing , sale of self-manufactured products	USD24,782	Note (1)	$185,020 (USD5,400)	—	—	$185,020 (USD5,400)	($34,425)	21.79%	— Note (3)	0 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)	3,010	100.00%	$3,010 Note (2)	$16,619 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)	$3,915,521

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

The Group does not have significant direct or indirect transactions with the investee company, Kunshan Lilytex Co., Ltd., through third area ; Regarding significant direct or indirect transactions between the Group and the investee company, Suzhou Hongsheng Trading Co., Ltd., through third area, please refer to Note 13.1,2-11.

(4) Information on major shareholders

2020.12.31

Shares / Name of Major Shareholders	Number of Shares Held	Percentage of Ownership (%)
Yi Sheng Investment Co., Ltd.	52,783,760	9.59%

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

(1) Business Division refers to an operating component unit that meet all of the following characteristics：

1. Undertakes business operations that earn revenue and incur expenses.
2. The operating results are periodically reviewed by the operating decision makers for forming decisions on allocating resources to the division.
3. With separate standalone financial information.

(2) According to point of views from the operating decision makers, the Group reviews the connections between the various management departments and the products and services and classifies the operating units into the following two reporting Business Divisions：

(1) Fiber Business Division：The division is responsible for manufacturing, processing and trading businesses in textured yarn, artificial cotton, nylon, etc.

(2) Chemical Materials Business Division：The division is responsible for manufacturing, processing and trading businesses in nylon chips, compound materials, etc.

The Groups other non-reporting business operations and operating divisions are collectively disclosed in "Other Divisions".

(3) The Group's reporting Business Divisions are strategic business units for providing various products and services. Each strategic business unit requires different techniques and marketing strategies, therefore must be managed separately.

(4) The business units are supervised separately by the respective management of the Group for forming decisions on resource allocation and performance evaluation. The performance of Business Divisions are measured based on operating profit or loss, such measurement amounts are provided to operating decision makers for allocating resources to the divisions and performance evaluation and are prepared using the same methods with those in the Consolidated Financial Statements. However, the headquarter operating costs, income tax expenses (benefits) and non-regular gains or losses (non-operating income and expenses) are managed based on the parent company and are not allocated to the reporting Divisions. The reported amounts are consistent with the reports used by the operating decision makers. The transfer pricings among the Business Divisions are based on similar regular transactions with outside third parties. The accounting policies of Business Divisions are basically the same as those described in Summary of Significant Accounting Policies in Note 4 of the Consolidated Financial Statements.

(5) Financial Information for Business Divisions

1. For the year ended December 31, 2020

	Fiber Business Division	Chemical Materials Business Division	Other Divisions	Adjustment and write-offs	Total
Revenue					
From outside customers	$ 3,924,357	$ 3,641,656	$ 109,594	$ –	$ 7,675,607
Revenue among segments	2,419	2,110,168	70	(2,112,657)	–
Total revenue	$ 3,926,776	$ 5,751,824	$ 109,664	($ 2,112,657)	$ 7,675,607
Segment profit (loss)	$ 3,458	($ 291,984)	$ 5,417	$ 3,495	($ 279,614)
Non-operating income and expenses					244,812
Before-tax income (loss) from continuing operations					($ 34,802)
Segment profit (loss) includes：					
Depreciation and amortization	$ 285,069	$ 208,741	$ 1,736	$ 105,569	$ 601,115
Segment assets	$ –	$ –	$ –	$ –	$ 8,926,635
Segment liabilities	$ –	$ –	$ –	$ –	$ 2,400,766

2. For the year ended December 31, 2019

	Fiber Business Division	Chemical Materials Business Division	Other Divisions	Adjustment and write-offs	Total
Revenue					
From outside customers	$ 5,977,386	$ 5,716,841	$ 147,150	$ –	$11,841,377
Revenue among segments	–	3,522,839	21	(3,522,860)	–
Total revenue	$ 5,977,386	$ 9,239,680	$ 147,171	($ 3,522,860)	$11,841,377
Segment profit (loss)	($ 6,213)	($ 441,797)	$ 3,476	$ 3,408	($ 441,126)
Non-operating income and expenses					109,375
Before-tax income (loss) from continuing operations					($ 331,751)
Segment profit (loss) includes：					
Depreciation and amortization	$ 223,014	$ 210,976	$ 1,989	$ 119,471	$ 555,450
Segment assets	$ –	$ –	$ –	$ 9,619,354	$ 9,619,354
Segment liabilities	$ –	$ –	$ –	$ 2,419,146	$ 2,419,146

3. Explanation for adjustments and write-offs：

(1) Revenue among the Divisions are written off upon consolidation.

(2) Adjustment and write-offs on segment profit or loss (including depreciation and amortization) are mainly for elimination profit or loss among the Divisions upon consolidation, for non-allocated operating expenses, etc.

(3) Since the measurement amounts of segment assets and liabilities are not the measurement indices used by the operating decision makers, therefore, the reportable measurement amounts of segment assets and liabilities is 0. The non-allocated amounts of assets and liabilities are listed under Adjustment and write-offs.

(6) Information by Products

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Textured yarn	$ 2,590,979	$ 3,814,807
Polyester yarn	27,065	-
Nylon fiber	1,285,244	2,158,919
Nylon chips	3,129,204	5,273,595
Composite materials	613,026	587,683
Trading of raw materials	4,119	5,176
Revenue from outsourced manufacturing	25,970	1,197
Total	$ 7,675,607	$ 11,841,377

(7) Regional information

According to the regions where goods are sold, services provided or where the non-current assets are located in categorizing the Group's revenue from outside customers, the regional information is hereby listed as below：

By region	Revenue from outside customers Year of 2020	Year of 2019	Noncurrent assets December 31, 2020	December 31, 2019
Taiwan	$ 4,640,224	$ 7,099,249	$ 5,543,404	$ 5,847,900
Mainland China	515,373	1,144,460	556	1,011
Asia	2,359,474	3,276,302	-	-
Americas	93,761	217,232	60	1,431
Africa	48,816	56,987	-	-
Europe	8,702	38,295	-	-
Oceania	9,257	8,852	-	-
Total	$ 7,675,607	$11,841,377	$ 5,544,020	$ 5,850,342

Note：Noncurrent assets does not include assets classified as held-for-sale noncurrent assets, financial instruments, deferred income tax assets, pension benefit assets and assets generated from insurance contracts.

(8) Information on important customers

In 2020 and 2019, the Group did not have any customer that accounts for 10% or more of the total consolidated revenue.

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 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 Financia1 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 ethica1 requirements regarding independence, and to communicate with them all re1ationships 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, 2020 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, Mei-Ling.

Crowe (TW) CPAs
Taipei, Taiwan
Republic of China

March 26, 2021

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, 2020 and 2019

In Thousands of New Taiwan Dollars

			31-Dec-20		31-Dec-19	
Code	Assets	Notes	Amount	%	Amount	%
11xx	Current Assets		$ 3,022,198	34	$ 3,417,422	36
1100	Cash and cash equivalents	6.1	39,298	-	42,032	1
1110	Financial assets at fair value through profit or loss – current	6.2	603,174	7	513,533	5
1150	Notes receivable, net	6.3	220,967	3	194,474	2
1160	Notes receivable - related parties	6.3,7	66	-	50	-
1170	Accounts receivable, net	6.4	961,459	11	908,347	10
1180	Accounts receivable due from related parties	6.4,7	79,169	1	96,619	1
1200	Other receivables	6.5	27,521	-	13,415	-
1220	Income tax assets	6.37	9	-	5	-
1310	Inventories, net	6.6	1,071,942	12	1,629,177	17
1410	Prepayments	6.7	18,593	-	15,992	-
1476	Other financial assets – current	6.8,8	-	-	3,778	-
15xx	Noncurrent Assets		5,902,298	66	6,194,212	64
1517	Financial assets at fair value through other comprehensive income – noncurrent	6.9	208,709	3	199,011	2
1550	Investments accounted for using equity method	6.10	21,392	-	15,645	-
1600	Property, plant and equipment	6.11	4,735,873	53	4,746,725	49
1755	Right-of-use asset	6.12	77,962	1	96,777	1
1760	Investment properties, net	6.13	645,185	7	656,737	7
1780	Intangible assets	6.14	1,051	-	2,864	-
1840	Deferred income tax assets	6.37	128,793	2	131,656	1
1915	Prepayments for equipment		26,126	-	300,696	3
1920	Guarantee deposits paid	6.15	24,799	-	6,408	-
1990	Other noncurrent assets – other	6.16	32,408	-	37,693	1
1xxx	Total Assets		$ 8,924,496	100	$ 9,611,634	100

Code	Liabilities and Equity	Notes	Amount	%	Amount	%
21xx	Current Liabilities		$ 2,059,440	23	$ 2,046,791	21
2100	Short-term loans	6.17	710,000	8	1,184,000	12
2110	Short-term notes and bills payable	6.18	449,934	5	-	-
2120	Financial liabilities at fair value through profit or loss – current	6.19	-	-	1,623	-
2130	Contractual liabilities – current	6.30	79,767	1	82,609	1
2150	Notes payable		106,683	1	101,573	1
2170	Accounts payable		371,254	5	351,607	4
2180	Accounts payable to related parties	7	195	-	440	-
2200	Other payables	6.20	303,651	3	284,271	3
2220	Other payables to related parties	7	4	-	438	-
2250	Provisions - current	6.21	24,573	-	25,163	-
2280	Lease liabilities - current	6.12	12,446	-	14,135	-
2399	Other current liabilities – other	6.22	933	-	932	-
25xx	Noncurrent Liabilities		339,187	4	364,635	4
2570	Deferred income tax liabilities	6.37	137,395	2	137,395	2
2580	Lease liabilities - noncurrent	6.12	67,079	1	83,982	1
2640	Net defined benefit liability - noncurrent	6.23	111,549	1	119,594	1
2645	Guarantee deposits received	6.24	23,164	-	23,664	-
2xxx	Total Liabilities		2,398,627	27	2,411,426	25
31xx	Equity					
3100	Share capital	6.25	5,500,014	62	6,117,634	64
3110	Ordinary shares		5,500,014	62	6,117,634	64
3200	Capital surplus	6.26	492,157	6	360,397	4
3300	Retained earnings	6.27	668,136	7	708,722	7
3310	Legal reserve		249,476	3	249,476	3
3320	Special reserve		321,614	3	321,614	3
3350	Unappropriated retained earnings		97,046	1	137,632	1
3400	Other equity interest	6.28	26,138	-	13,455	-
3410	Exchange differences from translation of foreign operations		(219)	-	(654)	-
3420	Unrealized gains or losses on financial assets at fair value through other comprehensive income		26,357	-	14,109	-
3500	Treasury shares	6.29	(160,576)	(2)	-	-
3xxx	Total Equity		6,525,869	73	7,200,208	75
3x2x	Total Liabilities and Equity		$ 8,924,496	100	$ 9,611,634	100

(The accompanying notes are 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, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue (Note 6.30)	$ 7,649,087	100	$ 11,809,718	100
5000	Operating costs (Note 6.6, 6.35)	(7,578,619)	(99)	(11,838,907)	(100)
5900	Gross profit (loss) from operations	70,468	1	(29,189)	-
5910	Unrealized sales benefit (Note 6.10)	(370)	-	(624)	-
5920	Realized sales benefit (Note 6.10)	624	-	886	-
5950	Gross profit (loss) from operations - net	70,722	1	(28,927)	-
6000	Operating expenses (Note 6.35)	(356,019)	(5)	(417,815)	(4)
6100	Selling expenses	(214,955)	(3)	(252,770)	(2)
6200	Administrative expenses	(85,731)	(1)	(92,786)	(1)
6300	Research and development expenses	(55,333)	(1)	(72,259)	(1)
6900	NET OPERATING INCOME (LOSS)	(285,297)	(4)	(446,742)	(4)
	Non-operating income and expenses				
7100	Interest income (Note 6.31)	38	-	65	-
7010	Other income (Note 6.32)	279,286	4	177,481	1
7020	Other gains and losses (Note 6.33)	(22,585)	-	(55,178)	-
7050	Finance costs (Note 6.34)	(11,592)	-	(12,740)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6.10)	5,058	-	5,148	-
7000	Total non-operating income and expenses	250,205	4	114,776	1
7900	INCOME BEFORE INCOME TAX	(35,092)	-	(331,966)	(3)
7950	INCOME TAX EXPENSE (Note 6.37)	(5,023)	-	29,328	-
8200	NET INCOME	(40,115)	-	(302,638)	(3)
	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 fair value through other comprehensive income (Note 6.9)	12,248	-	22,052	-
8311	Remeasurements of defined benefit liability (Note 6.23)	(589)	-	(3,207)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss (Note 6.37)	118	-	642	-
8310	Total items that will not be reclassified subsequently to profit or loss	11,777	-	19,487	-
	Items that may be reclassified subsequently to profit or loss： (Note 6.10)				
8381	Exchange differences from translation of foreign operations of subsidiaries, associates and joint ventures under equity method	435	-	(311)	-
8360	Total items that may be reclassified subsequently to profit or loss	435	-	(311)	-
8300	Total other comprehensive income (loss) for the year, net of income tax	12,212	-	19,176	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	($ 27,903)	-	($ 283,462)	(3)
	EARNINGS PER SHARE – ORDINARY SHARES (NT$) (Note 6.38)				
9750	Basic earnings per share	($ 0.07)		($ 0.49)	

(The accompanying notes are 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, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	Share Capital - Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total Equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from translation of foreign operations	Unrealized gains or losses on financial assets at FVTOCI		
A1	Balance, January 1, 2019	$ 6,117,634	$ 360,363	$ 240,478	$ 321,614	$ 574,186	($ 343)	($ 7,943)	$ -	$ 7,605,989
	Appropriation of 2018 earnings：									
B1	Legal reserve	-	-	8,998	-	(8,998)	-	-	-	-
B5	Cash dividends of ordinary share	-	-	-	-	(122,353)	-	-	-	(122,353)
C17	Unclaimed overdue dividends by shareholders	-	34	-	-	-	-	-	-	34
D1	Profit (loss) for 2019	-	-	-	-	(302,638)	-	-	-	(302,638)
D3	Other comprehensive income, net of tax, for 2019	-	-	-	-	(2,565)	(311)	22,052	-	19,176
Z1	Balance, December 31, 2019	$ 6,117,634	$ 360,397	$ 249,476	$ 321,614	$ 137,632	($ 654)	$ 14,109	$ -	$ 7,200,208
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	$ 5,500,014	$ 492,157	$ 249,476	$ 321,614	$ 97,046	($ 219)	$ 26,357	($ 160,576)	$ 6,525,869

(The accompanying notes are 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, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	2020	2019
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Profit from continuing operations before tax	($ 35,092)	($ 331,966)
A20000	Adjustments：		
A20010	Income/gain or expense/loss items not affecting cash flows		
A20100	Depreciation expense (including depreciation of investment properties)	585,414	549,227
A20200	Amortization expense	28,019	30,365
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(70,570)	(36,171)
A20900	Interest expense	11,363	16,949
A21200	Interest income	(38)	(65)
A21300	Dividend income	(22,806)	(51,008)
A22400	Share of profits of subsidiaries, associates, and joint ventures under equity method	(5,058)	(5,148)
A22500	Net loss (gain) on disposal or scrapping of property, plant and equipment	1,145	2,137
A23100	Gain from disposal of investments	55,646	52,920
A23900	Unrealized sales benefit	370	624
A24000	Realized sales benefit	(624)	(886)
A29900	Gain from lease modifications	(39)	(7)
A20010	Total adjustments to reconcile profit	582,822	558,937
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at FVTPL	(73,412)	158,087
A31130	Decrease (increase) in notes receivable	(26,493)	158,142
A31140	Decrease (increase) in notes receivable – related parties	(16)	(50)
A31150	Decrease (increase) in accounts receivable	(53,112)	1,037,994
A31160	Decrease (increase) in accounts receivable – related parties	17,450	4,943
A31180	Decrease (increase) in other receivables	(4,551)	7,940
A31200	Decrease (increase) in inventories	565,565	723,826
A31230	Increase in prepayments	(2,601)	(3,030)
A32125	Decrease in contractual liabilities	(2,842)	(11,514)
A32130	Increase (decrease) in notes payable	5,110	(143,129)
A32150	Increase (decrease) in accounts payable	19,647	(363,061)
A32160	Increase (decrease) in accounts payable – related parties	(245)	77
A32180	Increase (decrease) in other payables	310	(40,407)
A32190	Increase (decrease) in other payables – related parties	(434)	34
A32200	Increase (decrease) in provisions	(590)	241
A32230	Increase (decrease) in other current liabilities - other	1	(144)
A32240	Decrease in net defined benefit liabilities	(8,634)	(14,049)
A30000	Total changes in operating assets and liabilities	435,153	1,515,900
A33000	Cash generated from operations	982,883	1,742,871
A33100	Interest received	40	70
A33200	Dividend received	22,806	51,008
A33300	Interest paid	(11,514)	(17,400)
A33500	Income taxes paid	(2,046)	(36,253)
AAAA	Net cash flows from operating activities	992,169	1,740,296

(continue to next page)

(continue from previous page)

BBBB	CASH FLOWS FROM INVESTING ACTIVITIES		
B00030	Returned capital from FVTOCI financial assets	2,550	4,500
B02700	Acquisition of property, plant and equipment	(169,041)	(211,241)
B02800	Proceeds from disposal of property, plant and equipment	207	1,271
B03700	Increase in refundable deposit	(18,647)	(175)
B03800	Decrease in refundable deposit	256	229
B04500	Acquisition of intangible assets	(76)	(769)
B06500	Increase in other financial assets	-	(3,778)
B06600	Decrease in other financial assets	3,778	6,627
B06700	Increase in other noncurrent assets - other	(20,845)	(22,435)
B07100	Increase in prepayments for equipment	(109,888)	(401,294)
BBBB	Net cash flows used in investing activities	(311,706)	(627,065)
CCCC	CASH FLOWS FROM FINANCING ACTIVITIES：(Note 6.36)		
C00100	Increase in short-term loans	7,577,632	17,010,674
C00200	Decrease in short-term loans	(8,051,632)	(17,965,674)
C00500	Increase in short-term notes and bills payable	1,900,000	250,000
C00600	Decrease in short-term notes and bills payable	(1,450,000)	(250,000)
C03000	Increase in deposits received	100	1,520
C03100	Decrease in deposits received	(600)	(1,800)
C04020	Lease principal repayment	(12,261)	(12,477)
C04500	Distribution of cash dividends	-	(122,353)
C04900	Cost for buying back treasury shares	(646,436)	-
C09900	Undrawn overdue dividends payable transferred to capital surplus	-	34
CCCC	Net cash flows from (used in) financing activities	(683,197)	(1,090,076)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,734)	23,155
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,032	18,877
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	$ 39,298	$ 42,032
E00210	RECORDED CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET	$ 39,298	$ 42,032

(The accompanying notes are 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, 2020 and 2019
(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 26, 2021.

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.1080323028 Order on July 29, 2019, the Company shall, beginning from 2020, 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 2020：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020 (Note)

Note：FSC has allowed earlier adoption by companies effective from January 1, 2020.

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 2021：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 ” Extension of the Temporary Exemption from Applying IFRS 9”	June 25, 2020 (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

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):

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
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
2018-2020 Annual Improvements	January 1, 2022
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Presentation of Financial Statements”	January 1, 2023
Amendments to IAS 8 “Definition of accounting estimates”	January 1, 2023
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undetermined

As of the issuance date of these parent company only financial statements, the Company still continues 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 currencies

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：
   (1) Assets arising from operating activities that are expected to be realised, 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;
   (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.

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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 meet：

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 realisable 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 realisable value. Net realisable 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. Unrealised 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 Leased assets / Operating lease (lessee)

1. At the commencement of the lease term, lessees shall recognize finance leases as assets and liabilities in their statement of financial positions at amounts equal to the lower of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. 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. Depreciation is recognized using the straight-line method. 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 ether 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 debt or equity

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. 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 rents or capital gain, 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 Group 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 Group's operations, etc. When there is material change in material event or condition within the Group'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 financial assets 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, 2020 and 2019, the book value of the Company's receivables were $1,289,182 thousand and $1,212,905 thousand, respectively.

2. Valuation of inventories

   As inventories are stated at the lower of cost and net realisable 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 realisable 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, 2020 and 2019, the book value of the Company's inventories were $1,071,942 thousand and $1,629,177 thousand, respectively (net of allowances for inventory obsolete or valuation losses of $69,338 thousand and $160,694 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, 2020 and 2019, the book value of the Company's investments in non-public stocks were $208,709 thousand and $199,011 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, 2020 and 2019, 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 utilised 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, 2020 and 2019, the recorded accumulated impairment amount of the Company's intangible assets were both $2,175 thousand.

6. Realizability of deferred tax assets

Deferred 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 utilised. The Company's management assesses the realisability 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, 2020 and 2019, the Company recorded \$128,793 thousand and \$131,656 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 \$54,640 thousand and \$11,563 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, 2020 and 2019, the book value of the Company's net defined benefit obligation were \$111,549 thousand and \$119,594 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, 2020	December 31, 2019
Cash on hand and petty cash	$ 1,983	$ 2,099
Checking account	3,386	14,936
Demand deposits	30,042	21,478
Foreign currency deposits	3,887	3,519
Total	$ 39,298	$ 42,032

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

6.2 FVTPL financial assets – current

Item	December 31, 2020	December 31, 2019
Mandatorily measured at FVTPL		
Listed stocks	$ 602,967	$ 513,443
Derivatives - forward exchange contract	207	-
Derivatives – foreign exchange swap	-	90
Total	$ 603,174	$ 513,533

1. Regarding details for the financial assets mandatorily measured at FVTPL (not including derivative instruments), please refer to Note 13(1) (2)-3.
2. The net (loss) gain (not including derivative instruments) recorded in profit or loss in 2020 and 2019 were $14,717 thousand and ($15,216) thousand.
3. 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, 2020 and 2019, the existing contract assets (liabilities) for the derivative instruments are as following：

Financial Instrument	Buy/Sell Currency	Contract Amount	Fair Value	Contract Period Until Expiration
(1) December 31, 2020：				
Buy forward exchange contract	JPY/NTD	JPY524,000/NTD142,634	$ 207	2021.1.25.～2021.6.25.
(2) December 31, 2019：				
Buy forward exchange contract	JPY/NTD	JPY128,400/NTD37,076	($ 1,623)	2020.1.14.～2020.1.21.
Foreign exchange swap	USD/NTD	USD 1,500/NTD45,068	$ 90	2020.1. 2.～2020.1. 6.

The recorded net profit (loss) recorded in 2020 and 2019 due to the Company's engagement in derivative contractual transactions were ($1,124) thousand and $2,964 thousand, respectively.

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

6.3 Notes receivable (including related parties)

Item	December 31, 2020		December 31, 2018	
Notes receivable	$	220, 967	$	194, 474
Less：Allowance for losses		–		–
Subtotal		220, 967		194, 474
Total notes receivable - related parties		66		50
Less：Allowance for losses		–		–
Subtotal		66		50
Net amount	$	221, 033	$	194, 524

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, 2020		December 31, 2019	
Accounts receivable	$	961, 459	$	908, 347
Less： Allowance for doubtful receivables		–		–
Subtotal		961, 459		908, 347
Accounts receivable - related parties		79, 169		96, 619
Less： Allowance for losses		–		–
Subtotal		79, 169		96, 619
Net amount	$	1, 040, 628	$	1, 004, 966

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

	December 31, 2020			December 31, 2019		
Aging	Total amount	Allowance for losses	Net amount	Total amount	Allowance for losses	Net amount
Not overdue	$1, 025, 267	$ –	$1, 025, 267	$ 994, 872	$ –	$ 994, 872
Overdue 1 ~ 30 days	9, 738	–	9, 738	5, 154	–	5, 154
Overdue 31 ~ 90 days	4, 628	–	4, 628	4, 759	–	4, 759
Overdue 91 ~ 180 days	927	–	927	117	–	117
Overdue 181 ~ 365 days	68	–	68	41	–	41
Overdue over 365 days	–	–	–	23	–	23
Total	$1, 040, 628	$ –	$1, 040, 628	$1, 004, 966	$ –	$1, 004, 966

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：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 default 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, 2020	December 31, 2019
Interest receivable	$ –	$ 2
Tax refund receivable	–	4, 815
Discount receivable	–	4, 098
Government grants receivable	15, 493	611
Investment proceeds receivable	9, 557	–
Others	2, 471	3, 889
Total	$ 27, 521	$ 13, 415

6.6 Inventories

Item	December 31, 2020	December 31, 2019
Raw materials	$ 213, 644	$ 309, 560
Supplies	93, 857	127, 827
Work in process	130, 879	141, 337
Finished goods	666, 091	1, 090, 338
Finished goods purchased from outside	25, 867	13, 652
In-transit raw materials	10, 942	107, 157
Subtotal	1, 141, 280	1, 789, 871
Less： Valuation allowance	(69, 338)	(160, 694)
Net amount	$ 1, 071, 942	$ 1, 629, 177

1. Cost of goods sold and other operating costs：

Item	2020	2019
Cost of goods sold	$ 7, 329, 285	$ 11, 741, 161
Plus：Outsourced processing costs	22, 561	973
Plus：Unallocated labor and overheads	339, 182	168, 012
Plus：Loss on inventory scrapings	3, 183	2, 909
Less：Gain on inventory counts, net	(205)	–
Less：Gain from price recovery of inventories	(91, 356)	(52, 444)
Less：Scrap sales	(24, 031)	(21, 704)
Recorded operating cost	$ 7, 578, 619	$ 11, 838, 907

2. In the years of 2020 and 2019, the Company recorded $91,356 thousand and $52,444 thousand of 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, 2020	December 31, 2019
Prepayments for materials	$ 15,069	$ 10,974
Prepaid insurance	628	631
Office supplies	281	275
Input VAT	461	398
Others	2,154	3,714
Total	$ 18,593	$ 15,992

6.8 Other financial assets - current

Item	December 31, 2020	December 31, 2019
Restricted bank deposits	$ -	$ 3,778

1. Restricted bank deposits are guarantee time deposits for research and development contracts; please refer to Note 8 for details.
2. The Company assesses that the expected credit risk for the above financial assets is not high, and the credit risk after initial recognition does not increase.

6.9 FVTOCI financial assets – noncurrent

Item	December 31, 2020	December 31, 2019
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.	22,950	25,500
Ability Asia Capital Corp.	20,000	20,000
Subtotal	182,352	184,902
Plus：Valuation adjustment	26,357	14,109
Net amount	$ 208,709	$ 199,011

1. 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.

2. 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.
3. Using October 5, 2019 as the base date, Ability I Venture Capital Corp. reduced its capital by cash and cancelled 15,000 thousand shares of its common shares, totaled $150,000 thousand, with capital reduction rate of 15%. 450 thousand shares held by the Company were cancelled due to the capital reduction, and the returned capital was $4,500 thousand.
4. In 2020 and 2019, the net gain (loss) due to fair-value fluctuations was $12,248 thousand and $22,052 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.
5. None of the Company’s held FVTOCI financial assets is offered as collateral or pledged to others.

6.10 Investments accounted for using the equity method

1. Subsidiary

	December 31, 2020		December 31, 2019	
Investee	Book value	Holding %	Book value	Holding %
ZIS Holding Co., Ltd.	$ －	100%	$ －	100%
Nicest Int'L Trading Corp.	16,564	100%	12,918	100%
Ding Sheng Material Technology Corporation Limited	4,828	100%	2,727	100%
Total	$ 21,392		$ 15,645	

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 2020 and 2019 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	2020		2019	
	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.	2,879	243	4,094	(447)
Ding Sheng Material Technology Corporation Limited	2,179	192	1,054	136
Total	$ 5,058	$ 435	$ 5,148	($ 311)

6. In 2020 and 2019, due to unrealized sales gains, the Company's investment amounts under equity method were adjusted and reduced by $370 thousand and $624 thousand, respectively; Due to realized sales gains, the Company's investment amounts under equity method were adjusted and increased by $624 thousand and $886 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 2020 Consolidated Financial Statements.
9. As of December 31, 2020 and 2019, 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.

6.11 Property, plant and equipment

Item	December 31, 2020	December 31, 2019
Land	$ 1,786,837	$ 1,786,837
Buildings	2,939,680	2,893,263
Machinery	8,983,012	8,439,161
Transportation equipment	80,624	81,781
Other equipment	258,297	249,745
Equipment to be inspected and construction in progress	270,825	393,458
Total cost	14,319,275	13,844,245
Less： Accumulated depreciation	(9,581,227)	(9,095,345)
Less：Accumulated impairment	(2,175)	(2,175)
Net amount	$ 4,735,873	$ 4,746,725

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

Item	Land	Buildings	Machinery	Transportation equipment	Other equipment	Equipment to be inspected and construction in progress	Total
Cost：							
Balance, January 1, 2019	$1,786,837	$2,887,258	$ 8,623,385	$ 81,952	$ 247,212	$ 60,638	$13,687,282
Additions	-	1,170	10,529	1,155	2,400	211,498	226,752
Disposals	-	-	(237,755)	(1,326)	(8,236)	-	(247,317)
Reclassification	-	4,835	43,002	-	8,369	121,322	177,528
Balance, December 31, 2019	$1,786,837	$2,893,263	$ 8,439,161	$ 81,781	$ 249,745	$ 393,458	$13,844,245
Accumulated depreciation and impairment：							
Balance, January 1, 2019	$ -	$1,337,570	$ 7,232,807	$ 72,073	$ 187,950	$ -	$ 8,830,400
Depreciation expense	-	92,337	402,610	3,250	12,832	-	511,029
Disposals	-	-	(234,656)	(1,326)	(7,927)	-	(243,909)
Reclassification	-	-	-	-	-	-	-
Balance, December 31, 2019	$ -	$1,429,907	$ 7,400,761	$ 73,997	$ 192,855	$ -	$ 9,097,520

Note：The net increase from reclassifications of inventories in 2020 and 2019 were $37,672 thousand and $42,910 thousand, respectively and reclassifications from prepayments for equipment were $338,456 thousand and $134,618 thousand, 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	2020	2019
Increase in property, plant and equipment	$ 175,711	$ 226,752
Plus：Decrease (increase) in payables for equipment	(6,670)	(15,511)
Cash payment	$ 169,041	$ 211,241

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, 2020 and 2019, 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.

6.12 Leases

1. Right-of-use assets

Item	December 31, 2020	December 31, 2019
Buildings	$ 66,780	$ 66,780
Machinery equipment	34,734	34,646
Transportation equipment	−	8,453
Total cost	101,514	109,879
Less:Accumulated depreciation	(23,552)	(13,102)
Less:Accumulated impairment	−	−
Net amount	$ 77,962	$ 96,777

Item	Buildings	Machinery equipment	Transportation equipment	Total
Cost:				
2020.01.01 balance	$ 66,780	$ 34,646	$ 8,453	$ 109,879
Addition/Remeasurement	−	88	(613)	(525)
Disposal/Write-offs	−	−	(7,840)	(7,840)
December 31, 2020 balance	$ 66,780	$ 34,734	$ −	$ 101,514
Accumulated depreciation and impairment:				
2020.01.01 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)
December 31, 2020 balance	$ 9,689	$ 13,863	$ −	$ 23,552

Item	Buildings	Machinery equipment	Transportation equipment	Total
Cost：				
2019.1.1 balance	$ －	$ －	$ －	$ －
Transferred in from IFRS 16 retrospective application	67,820	34,428	8,453	110,701
Addition/Remeasurement	2,772	218	－	2,990
Disposal/Write-offs	(3,812)	－	－	(3,812)
2019.12.31 balance	$ 66,780	$ 34,646	$ 8,453	$ 109,879
Accumulated depreciation and impairment：				
2019.1.1 balance	$ －	$ －	$ －	$ －
Depreciation expense	5,220	6,913	1,691	13,824
Disposal/Write-offs	(722)	－	－	(722)
2019.12.31 balance	$ 4,498	$ 6,913	$ 1,691	$ 13,102

2. Lease liabilities

Item	December 31, 2020		December 31, 2019	
	Current	Noncurrent	Current	Noncurrent
Buildings	$ 4,895	$ 52,965	$ 4,832	$ 57,861
Machinery equipment	7,551	14,114	7,489	20,999
Transportation equipment	－	－	1,814	5,122
Total	$ 12,446	$ 67,079	$ 14,135	$ 83,982

Item	Buildings	Machinery equipment	Transportation equipment	Total
Lease liabilities：				
2020.01.01 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)
December 31, 2020 balance	$ 57,860	$ 21,665	$ －	$ 79,525

Item	Buildings	Machinery equipment	Transportation equipment	Total
Lease liabilities：				
2019.1.1 balance	$ －	$ －	$ －	$ －
Transferred in from IFRS 16 retrospective application	67,820	34,428	8,453	110,701
Addition/Remeasurement	2,772	218	－	2,990
Disposal/Write-offs	(3,097)	－	－	(3,097)
Lease principal repayment	(4,802)	(6,158)	(1,517)	(12,477)
2019.12.31 balance	$ 62,693	$ 28,488	$ 6,936	$ 98,117

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

Item	Expected lease period (including renewal rights)	December 31, 2020	December 31, 2019
Buildings	3～15 years	0.84%～1.42%	0.84%～1.42%
Machinery equipment	5 years	1.00%	1.00%
Transportation equipment	5 years	1.00%	1.00%

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

Item	December 31, 2020	December 31, 2019
Within 1 year	$ 13,425	$ 14,540
Over 1 year but within 5 years	34,027	47,219
Over 5 years but within 10 years	23,839	23,840
Over 10 years but within 15 years	14,304	19,072
Over 15 years but within 20 years	－	－
Over 20 years	－	－
Undiscounted total lease payments	$ 85,595	$ 104,671

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. Based on assessment on exercising the lease extension rights, on December 31, 2020 and 2019, the sight-of-use assets were increased by $66,286 thousand and $82,062 thousand, respectively；the lease liabilities were increased by $67,846 thousand and $82,612 thousand, respectively.

4. Sublease：The Company subleases part of its rights to use office space via operating lease, with 1 year lease period.
5. Other relevant information on leases

In 2020 and 2019, based on the operating lease contracts, the Company recorded rental income of $75,327 thousand and $75,759 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 6.13-6.

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

Item	From January 1 to December 31, 2020	From January 1 to December 31, 2019
Short-term lease expense	$ －	$ 119
Low-value-assets lease expense	－	－
Expense on variable lease payments	－	－
Total	$ －	$ 119
Interest expense on lease liabilities	$ 1, 122	$ 1, 314
Gain from sublease of right-of-use assets	$ 96	$ 96
Gain (loss) generated from sale and leaseback transactions	$ －	$ －
Gain (loss) generated from amendment of lease transactions	$ 39	$ 7

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 2020 and 2019, the total cash out flows were $13,383 thousand and $13,910 thousand, respectively.

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

6.13 Investment properties

Item	December 31, 2020	December 31, 2019
Land	$ 583,429	$ 583,429
Land improvements	418,746	418,746
Subtotal	1,002,175	1,002,175
Less： Accumulated depreciation	(356,990)	(345,438)
Less： Accumulated impairment	–	–
Net amount	$ 645,185	$ 656,737

Item	Land	Land improvements	Total
Cost：			
Balance, January 1, 2020	$ 583,429	$ 418,746	$ 1,002,175
Additions	–	–	–
Disposals	–	–	–
Reclassification	–	–	–
Balance, December 31, 2020	$ 583,429	$ 418,746	$ 1,002,175
Depreciation and impairment：			
Balance, January 1, 2020	$ –	$ 345,438	$ 345,438
Depreciation expense	–	11,552	11,552
Disposals	–	–	–
Reclassification	–	–	–
Balance, December 31, 2020	$ –	$ 356,990	$ 356,990

Item	Land	Land improvements	Total
Cost：			
Balance, January 1, 2019	$ 583,429	$ 418,746	$ 1,002,175
Additions	–	–	–
Disposals	–	–	–
Reclassification	–	–	–
Balance, December 31, 2019	$ 583,429	$ 418,746	$ 1,002,175
Depreciation and impairment：			
Balance, January 1, 2019	$ –	$ 321,064	$ 321,064
Depreciation expense	–	24,374	24,374
Disposals	–	–	–
Reclassification	–	–	–
Balance, December 31, 2019	$ –	$ 345,438	$ 345,438

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	2020		2019	
Rental income from investment properties	$	75,110	$	75,542
Direct operating expenses arising from the investment properties that generated rental income during the period	$	18,745	$	30,525
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, Yangmei District, Taoyuan City, Chungxing Section, Pingzhen District, Taoyuan City and Beigang Section, Dayuan District, Taoyuan City. Since those sections are 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, 2020		December 31, 2019	
1st year	$	76,416	$	52,430
2nd year		76,416		47,808
3rd year		28,076		23,668
4th year		18,858		18,840
5th year		18,948		19,290
Over 5 years		243,432		162,828
Total	$	462,146	$	324,864

6.14 Intangible assets

Item	December 31, 2020	December 31, 2019
Cost of computer software	$ 6,284	$ 7,207
Less： Accumulated amortization	(5,233)	(4,343)
Less： Accumulated impairment	–	–
Net amount	$ 1,051	$ 2,864

Item	2020	2019
Cost of computer software：		
Beginning balance	$ 7,207	$ 7,815
Addition – from individual	76	769
Disposal / Write-off	(999)	(1,377)
Reclassification	–	–
Ending balance	$ 6,284	$ 7,207
Accumulated amortization and impairment：		
Beginning balance	$ 4,343	$ 3,481
Amortization expense	1,889	2,239
Disposal / Write-off	(999)	(1,377)
Reclassification	–	–
Ending balance	$ 5,233	$ 4,343

1. The amount of capitalized borrowing cost and interest interval of intangible assets： None
2. The Company's intangible assets are depreciated at straight-line method based on the following useful live：

   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	2020	2019
Operating cost	$ 374	$ 352
Operating expense		
Sales expense	–	–
Administration expense	1,515	1,887
R&D expense	–	–
Subtotal	1,515	1,887
Total	$ 1,889	$ 2,239

6.15 Guarantee deposits paid

Item	December 31, 2020		December 31, 2019	
Rental deposits - lessee	$	154	$	154
Deposits for natural gas		24,021		5,643
Membership deposits		500		500
Others		124		111
Total	$	24,799	$	6,408

6.16 Other noncurrent assets – other

Item	December 31, 2020		December 31, 2019	
Long-term prepaid expenses	$	1,094	$	2,183
Pallets		31,314		35,510
Total	$	32,408	$	37,693

Item	2020		2019	
Other noncurrent assets				
Beginning balance	$	37,693	$	43,384
Addition– from individual		20,845		22,435
Amortization expense	(	26,130)	(	28,126)
Ending balance	$	32,408	$	37,693

6.17 Short-term borrowings

Item	December 31, 2020		December 31, 2019	
Credit loans	$	710,000	$	1,184,000
Interest rates		0.52%~0.89%		0.86%～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.

6.18 Short-term notes and bills payable

Item	December 31, 2020		December 31, 2019	
Commercial paper	$	450,000	$	–
Less：Unamortized discount	(	66)		–
Net amount	$	449,934	$	–
Interest rates		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.

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

Item	December 31, 2020	December 31, 2019
Mandatorily measured at FVTPL		
Derivative - foreign exchange swap contract	$ –	$ 1,623

Please refer to Note 6.2-3 for details.

6.20 Other payables

Item	December 31, 2020	December 31, 2019
Payroll and bonus	$ 132,844	$ 142,105
Interest payable	188	273
Insurance payable	13,752	15,025
Transportation fees	7,167	6,192
Utilities	44,395	44,490
Export fees	22,340	11,150
Processing outsourcing fees	193	437
Professional service fees	1,160	1,160
Taxes payable	7,178	6,616
Sales tax payable	6,424	4,418
Payables for equipment	37,250	30,580
Investment proceeds payable	12,485	–
Others	18,275	21,825
Total	$ 303,651	$ 284,271

6.21 Provisions－current

Item	December 31, 2020	December 31, 2019
Employee benefits – paid leaves	$ 24,573	$ 25,163

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	2020	2019
Beginning balance	$ 25,163	$ 24,922
Addition	24,584	25,260
Used amount	(25,174)	(25,019)
Reversal amount	–	–
Ending balance	$ 24,573	$ 25,163

6.22 Other current liabilities – other

Item	December 31, 2020	December 31, 2019
Receipts under custody	$ 933	$ 932

6.23 Pension benefit plans

Item	December 31, 2020	December 31, 2019
Defined benefit plan	$ 106,415	$ 113,983
Defined contribution plan	5,134	5,611
Total	$ 111,549	$ 119,594

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. The pension fund is managed by the government's designated authorities and the Company has no right to influence their investment strategies.

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

Item	December 31, 2020		December 31, 2019	
Present value of defined benefit obligations	$	119,362	$	127,809
Fair value of plan assets	(	12,947)	(	13,826)
Net defined benefit liability	$	106,415	$	113,983

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

Item	2020		2019	
Balance at January 1	$	127,809	$	148,984
Current service cost		–		–
Interest expense		956		1,478
Actuarial (gains)	(	2,383)	(	4,271)
Remeasurements – actuarial loss (gain)：				
Effect of change in demographic assumptions		1		840
Effect of change in financial assumptions		5,548		4,583
Experience adjustments	(	4,422)	(	1,370)
Paid benefits	(	591)	(	2,174)
Repayments (Note)	(	7,556)	(	20,261)
Balance at December 31	$	119,362	$	127,809

Note：In 2019, the paid benefits include $16,176 thousand of payments for plan assets and $4,085 thousand of benefit payments in the Company's books.

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

Item	2020		2019	
Balance at January 1	$	13,826	$	24,193
Interest income		112		246
Remeasurements：				
Return on plan assets in addition to net interest		538		846
Contribution by employer		6,618		6,891
Benefits paid from plan assets	(	591)	(	2,174)
Repayments from plan assets	(	7,556)	(	16,176)
Balance at December 31	$	12,947	$	13,826

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

Item	2020	2019
Current service cost	$ －	$ －
Interest expense of define benefit obligations	956	1,478
Loss (gain) on repayments	(2,383)	(4,271)
Interest income from plan	(112)	(246)
Recorded in loss (gain)	($ 1,539)	($ 3,039)

Item	2020	2019
Remeasurements：		
Effect of change in demographic assumptions	$ 1	$ 840
Effect of change in financial assumptions	5,548	4,583
Experience adjustments	(4,422)	(1,370)
Return on plan assets in addition to net interest	(538)	(846)
Recognized in other comprehensive loss (income)	$ 589	$ 3,207

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

Item	2020	2019
Operating cost	($ 1,301)	($ 2,551)
Operating expense		
Sales expense	(72)	(164)
Administration expense	(141)	(280)
R&D expense	(25)	(44)
Subtotal	(238)	(488)
Total	($ 1,539)	($ 3,039)

(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 according 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, 2020 and 2019, 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	2020	2019
Discount rate	0.40%	0.75%
Future salary increase rate	2.00%	2.00%
The weighted average duration of the defined benefit obligation	12 years	13 years

Assumptions on future mortality experience are set based on the 5th 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, 2020 and 2019 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% increase	0.25% decrease	0.25% increase	0.25% decrease
December 31, 2020				
Effects to present value of defined benefit obligation	($ 3,729)	$ 3,895	$ 3,823	($ 3,681)
December 31, 2019				
Effects to present value of defined benefit obligation	($ 4,161)	$ 4,350	$ 4,285	($ 4,121)

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 are $2,635 thousand and $1,043 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. 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 $31,880 thousand and $33,448 thousand of pension expense in 2020 and 2019, respectively ; As of December 31, 2020 and 2019, according to the above defined contribution plan, the Company had recognized $5,134 thousand and $5,611 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	2020	2019
Operating cost	$ 26,862	$ 27,923
Operating expense		
Sales expense	1,611	1,595
Administration expense	2,051	2,336
Research and development expense	1,356	1,594
Subtotal	5,018	5,525
Total	$ 31,880	$ 33,448

(4) In 2020 and 2019, according to the defined contribution plan, the Company recognized $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, 2020		December 31, 2019	
Rental deposits – rent out	$	22, 614	$	22, 614
Others		550		1, 050
Total	$	23, 164	$	23, 664

6.25 Share capital

Item	December 31, 2020		December 31, 2019	
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)		550, 001		611, 763
Raised capital	$	5, 500, 014	$	6, 117, 634

1. The par value of each issued common stock is NT$10, each share has 1 voting right and right of receiving dividend.
2. 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 and 3 for details.

6.26 Capital surplus

Item	December 31, 2020		December 31, 2019	
Additional paid-in capital	$	316, 656	$	316, 656
Surplus from treasury stock transactions		175, 460		43, 700
Uncollected overdue dividends by shareholders		41		41
Total	$	492, 157	$	360, 397

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. . According to the Company's dividend policy, at least 0%~60% of the Company's distributable earnings as of the end of the period shall be appropriated as dividends. 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. In accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, Jin-Guan-Zheng-Fa-Zi Letter No. 1010047490, dated November 21, 2012, and "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 2019 and 2018 earnings have been approved by the shareholders in its meetings on June 22, 2020 and June 24, 2019, respectively. The appropriations and dividends per share were as follows：

Distribution item	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2019	For Fiscal Year 2018	For Fiscal Year 2019	For Fiscal Year 2018
Record legal reserve	$ －	$ 8,998	－	－
Record (reverse) special reserve	－	－	－	－
Cash dividends	－	122,353	－	$ 0.20
Stock dividends	－	－	－	－

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 2020 had been proposed by the Board of Directors on March 26, 2021 (not yet been approved by the shareholders' meeting), which planned distribute cash dividend of NT$0.1 per share ; And planned distribute cash dividend of NT$0.2 per share from capital surplus ; The total cash (dividends) distributable to the shareholders was $159,507 thousand.

6.28 Other equity item

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	($ 219)	$ 26,357	$ 26,138

Item	Exchange differences from translation of foreign operations	Unrealized gains or losses for financial assets measured at FVTOCI	Total
Balance, January 1, 2019	($ 343)	($ 7,943)	($ 8,286)
Directly Recognized as other equity adjustment items	–	22,052	22,052
Transferred to profit or loss item	–	–	–
Transferred to retained earnings	–	–	–
Shares Recognized under equity method	(311)	–	(311)
Income tax related to other equity items	–	–	–
Balance, December 31, 2019	($ 654)	$ 14,109	$ 13,455

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, 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, 2020, 17,305 thousand treasury shares were bought back, with buy-back cost totaled $160,576 thousand.
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	2020	2019
Revenue from contracts with customers		
Sales revenue	$ 7,623,117	$ 11,808,521
Service revenue	25,970	1,197
Net amount	$ 7,649,087	$ 11,809,718

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	2020	2019
Sales revenue		
Textured Yarn	$ 2, 590, 979	$ 3, 814, 807
Polyester Yarn	27, 065	–
Nylon fiber	1, 284, 970	2, 158, 919
Nylon grains	3, 122, 199	5, 258, 148
Composite materials	597, 418	574, 111
Trading of raw materials	486	2, 536
Subtotal	7, 623, 117	11, 808, 521
Service revenue		
Revenue from outsourced manufacturing	25, 970	1, 197
Subtotal	25, 970	1, 197
Total	$ 7, 649, 087	$ 11, 809, 718

2. Contract balance

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

Item	2020	2019
Contractual assets：None		
Contractual liabilities - current		
Sale of goods	$ 79, 767	$ 82, 609

(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, 2020, 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	2020	2019
Beginning balance of contractual		
Sale of goods	$ 77, 375	$ 89, 594

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

In 2019 and 2018, 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, 2020 and 2019, 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	2020	2019
Interest on bank deposits	$ 38	$ 65

6.32 Other income

Item	2020	2019
Dividends income	$ 22, 806	$ 51, 008
Rental income	75, 327	75, 759
Subsidy income(Note)	150, 018	6, 133
Income from scrap sales	10, 089	18, 632
Income from sample sales	3, 896	5, 292
Income from recovery of packaging materials	2, 859	5, 496
Income from sale of renewable energy	5, 553	5, 293
Net income from water testing	5, 398	5, 351
Others (Note)	3, 340	4, 517
Total	$ 279, 286	$ 177, 481

Note：Please refer to Note 12.5-3

6.33 Other gains and losses

Item	2020	2019
Net gains (losses) on financial liabilities at FVTPL	$ 70,570	$ 36,171
Gains (losses) on disposal of property, plant and equipment	(1,145)	(2,137)
Loss on disposal of investments	(55,646)	(52,920)
Net non-financial foreign currency exchange gains (losses)	(13,201)	(341)
Direct operating expenses of investment properties	(18,745)	(30,525)
Expatriate employee benefits	(2,067)	(1,954)
Depreciation of renewable energy	(1,695)	(1,280)
Gains from lease amendment	39	7
Others	(695)	(2,199)
Total	($ 22,585)	($ 55,178)

6.34 Financial cost

Item	2020	2019
Interest expense		
Interest on borrowing from financial institutions	$ 9,927	$ 15,509
Imputed interest on deposits	126	126
Interest on lease liabilities	1,122	1,314
Other	188	-
Subtotal	11,363	16,949
Fees related to issuing CP	504	16
Net financial foreign currency exchange (gains) losses	(275)	(4,225)
Less：Capitalized amount	-	-
Total	$ 11,592	$ 12,740

6.35 Employee benefits, depreciation and amortization expense

By nature	2020 Operating costs	2020 Operating expenses	2020 Total	2019 Operating costs	2019 Operating expenses	2019 Total
Employee benefits						
Salary	$ 650,812	$108,033	$ 758,845	$ 710,548	$111,049	$ 821,597
Labor and health insurance	62,867	10,675	73,542	66,293	12,520	78,813
Pension expense	25,561	4,780	30,341	25,372	5,037	30,409
Compensation to directors	-	2,600	2,600	-	2,200	2,200
Other labor cost	19,090	3,586	22,676	24,300	3,227	27,527
Depreciation (Note)	556,196	15,971	572,167	507,362	16,211	523,573
Amortization	25,547	2,471	28,018	27,522	2,843	30,365
Total	$1,340,073	$148,116	$1,488,189	$1,361,397	$153,087	$1,514,484

Note：The depreciation expenses for renewable energy equipment (recorded in property, plant and equipment) in 2020 and 2019 were $1,695 thousand and $1,280, respectively, and recorded as non-operating income and expenses – other ; The depreciation expenses of investment properties in 2020 and 2019 were $11,552 thousand and $24,374 thousand, respectively, and recorded as non-operating income and expenses – other (direct operating expenses for investment properties).

1. As of December 31, 2020 and 2019, the number of employees of the Company is 1,323 and 1,421, respectively, including 6 and 5 directors who are not hired as employees for both years, with counting basis consistent with that of employee benefits.
2. In 2020 and 2019, the Company's average employee benefit expenses were $672 thousand and $677 thousand, respectively；the average employee salary expenses were $576 thousand and $580 thousand, respectively, and the adjustment and changes on the average employee salary expenses were (0.69%) and (2.36%), 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), 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), 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. The Company had before-tax losses in 2020 and 2019, therefore, no payable compensation to employees, directors and supervisors was 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 26, 2021 and March 20, 2020, the Company's Board of Directors had passed resolution not to distribute compensation to employees, directors and supervisors for 2020 and 2019, respectively.
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, 2020	$ 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, 2020	$ 710,000	$ 449,934	$ 79,525	$ 23,164

Item	Short-term borrowings	Short-term notes payable	Lease liabilities	Guarantee deposits received
Balance, January 1, 2019	$ 2,139,000	$ –	$ –	$ 23,944
Effects from retrospective adoption of IFRS 16	–	–	110,701	–
Net changes in financing cash flows	(955,000)	–	(12,477)	(280)
Noncash changes - lease addition/remeasurement	–	–	2,990	–
Noncash changes - lease disposal/write-offs	–	–	(3,097)	–
Balance, December 31, 2019	$ 1,184,000	$ –	$ 98,117	$ 23,664

6.37 Income tax

1. Components of income tax expense:

(1) Income tax expense recognized in profit or loss

Item	2020	2019
Current income tax	$ –	$ –
Deferred income tax expense (benefit)		
Initial occurrence and reversals of temporarily differences	2,981	(39,028)
Net (increase) decrease in deferred income tax	2,981	(39,028)
Adjustments in respect of prior years	2,042	9,700
Income tax expense (benefit) recognized in profit or loss	$ 5,023	($ 29,328)

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

Item	2020	2019
Deferred income tax		
Re-measurement of defined benefit plan	($ 118)	($ 642)
Income tax expense (benefit) recognized in other comprehensive income	($ 118)	($ 642)

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

Item	2020	2019
Income (loss) before tax for continuing operations	($ 35,092)	($ 331,966)
Income tax expense (benefit) at the statutory tax rate	(7,019)	(66,393)
Income tax effects from adjustment items：		
Items excluded when determining taxable income	(36,058)	(10,465)
Additional tax under minimum tax system	－	－
Additional income tax on unappropriated earnings	－	－
Operating loss carryforward generated	43,077	76,858
Operating loss carryforward used	－	－
Investment deduction utilized	－	－
Income tax payable in the current period	－	－
Net (increase) decrease in deferred income tax	2,981	(39,028)
Income tax adjustments for prior years	2,042	9,700
Income tax expense (benefit) recorded in profit or loss	$ 5,023	($ 29,328)

The applicable income tax rate for the Company in 2020 was 20%.

3. Income tax assets (liabilities)

Item	December 31, 2020	December 31, 2019
Income tax assets in the current period		
Offset by prepaid income tax	$ 9	$ 5

Income tax liabilities in the current period： None

4. Balance of deferred income tax assets (liabilities)

Item	2020 January 1	2020 Profit or loss	2020 Other comprehensive income	2020 December 31
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	$ 131,656	(2,981)	118	$ 128,793
Deferred tax liabilities				
Reserve for Land Value Increment Tax	$ 137,395	$ -	$ -	$ 137,395
Total	$ 137,395	-	-	$ 137,395
Net increase (decrease)		($ 2,981)	$ 118	

Item	2019 January 1		2019 Profit or loss		2019 Other comprehensive income		2019 December 31	
Deferred income tax assets								
Loss on market price decline and obsolete/ slow-moving inventories	$	31, 828	$	311	$	－	$	32, 139
Unrealized exchange loss		562		1, 018		－		1, 580
Accrued vacation pays		4, 984		48		－		5, 032
Defined benefit obligation plan		48, 025	(	25, 870)		642		22, 797
Different treatments on depreciation between financial and tax		6, 152	(	1, 774)		－		4, 378
Impairment loss on tangible assets		435		－		－		435
Operating loss carryover (Note)		－		65, 295		－		65, 295
Total	$	91, 986		39, 028		642	$	131, 656
Deferred tax liabilities								
Reserve for Land Value Increment Tax	$	137, 395	$	－	$	－	$	137, 395
Total	$	137, 395		－		－	$	137, 395
Net increase (decrease)			$	39, 028	$	642		

Note：Operating loss carryover recorded in profit or loss is the amount generated in the current period, after subtracting unrecorded amounts that are not quite likely to realize.

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

Item	December 31, 2020		December 31, 2019	
Deferred income tax assets				
Operating loss carryover	$	54, 640	$	11, 563

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, 2020 and 2019, the un-recognized taxable temporary differences related to investments were $1,536 thousand and $807, respectively.

7. As of December 31, 2020, according to the application tax laws, the Company's deferred income tax assets that may be used to offset against payable income tax amount in future years are summarized as below：

Last deductible year	Recorded operating loss carryover	Nonrecorded operating loss carryover	Total
2029	$ 65,211	$ 11,563	$ 76,774
2030	－	43,077	43,077
Total	$ 65,211	$ 54,640	$ 119,851

8. The Company's income tax returns through 2018 had been assessed and approved by the Tax Authority.

9. Since the Company had net loss in 2020, therefore, the potential tax effect from additional income tax on undistributed earnings was not material to the Company.

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.

	2020			2019		
	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 per share						
Net income (loss)	($ 40,115)	577,795	($ 0.07)	($ 302,638)	611,763	($ 0.49)

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	2020	2019
Company that key management has significant influence	$ 240,853	$ 555,431
Subsidiary	77,272	114,393
Total	$ 318,125	$ 669,824

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	2020	2019
Company that key management has significant influence	$ 1,437	$ 2,675
Subsidiary	70	21
Total	$ 1,507	$ 2,696

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, 2020	December 31, 2019
Su, Liao Hsiu Chin and 2 other individuals	$ 33,284	$ 35,845

(2) Lease liabilities－current

Related party category	December 31, 2020	December 31, 2019
Su, Liao Hsiu Chin and 2 other individuals	$ 2,382	$ 2,348

(3) Lease liabilities－noncurrent

Related party category	December 31, 2020	December 31, 2019
Su, Liao Hsiu Chin and 2 other individuals	$ 31,360	$ 33,741

(4) Interest expense

Related party category	2020	2019
Su, Liao Hsiu Chin and 2 other individuals	$ 512	$ 545

(5) In 2020 and 2019, the total amount of rents that the Company had paid to Su, Liao Hsiu Chin and 2 other individuals were both $2,861 thousand.

(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	2020	2019
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, 2020	December 31, 2019
Subsidiary	$ 66	$ 50

(2) Accounts receivable

Related party category	December 31, 2020	December 31, 2019
Company that key management has significant influence	$ 45,496	$ 53,739
Subsidiary	33,673	42,880
Total	$ 79,169	$ 96,619

(3) Accounts payable

Related party category	December 31, 2020	December 31, 2019
Company that key management has significant influence	$ 195	$ 440

(4) Other payables

Related party category	December 31, 2020	December 31, 2019
Company that key management has significant influence	$ –	$ 240
Subsidiary	4	198
Total	$ 4	$ 438

6. Others

Item	Related party category	2020	2019
Sale of defect products	Company that key management has significant influence	$ 583	$ 797
Sale of R&D samples	Subsidiary	2, 544	2, 416
Consigned management fees income	Subsidiary	10	6
Sales processing fees	Subsidiary	96	813
Purchase of leftover yarn and empty tubes	Company that key management has significant influence	1, 392	2, 448

4. Key management compensation

Item	2020	2019
Salaries and other short-term employee benefits	$ 30, 929	$ 19, 972
Termination benefits	–	–
Post-employment benefits	74	92
Other long-term benefits	–	–
Share-based payments	–	–
Total	$ 31, 003	$ 20, 064

8. Pledged Assets

The Company's assets pledged as collateral are as follows：

Pledged asset	Use for the pledge	December 31, 2020	December 31, 2019
Time deposits at First Bank	Guarantee deposit for R&D contract	$ –	$ 3, 778

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. Endorsements and guarantees：None

2. Guarantee notes issued

(1) As of December 31, 2020 and 2019, 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.

(2) To secure subsidiaries from the R&D plans of Ministry of Economic Affairs, the Company issued to Institute for Information Industry guarantee notes of $0 and $13,491 thousand as of December 31, 2020 and 2019, respectively.

3. Guarantee notes received

To ensure collectability for contracts signed, equipment warranty and guarantees for sales contracts, the Company received guarantee notes of $562,548 thousand and $595,568 thousand as of December 31, 2020 and 2019, respectively.

4. The unused letters of credit as of December 31, 2020 and 2019 are as follows：(Units：thousand dollars)

Date	Balances of issued yet unused letters of credit
December 31, 2020	NTD426,000、EUR559、USD9,274、JPY524,000
December 31, 2019	NTD191,000、EUR200、USD2,851、JPY128,400

5. Capital expenditures committed but not yet paid as of December 31, 2020 and 2019 were NTD111, 387 thousand, and NTD54, 146 thousand.

10. Significant Disaster Losses： None

11. Significant Subsequent Events：

From January 1, 2021 to January 12, 2021, in order to maintain company credit and the shareholders' rights, the Company had bought back 1,008 thousand shares of the Company from the stock exchange market, with buy-back cost totaled $9,993 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.

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, 2020	December 31, 2019
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	$ 603,174	$ 513,533
Financial assets measured at FVTOCI		
Investments in equity instruments	208,709	199,011
Financial assets measured at amortized cost		
Cash and cash equivalents	39,298	42,032
Notes and accounts receivable (including related parties)	1,261,661	1,199,490
Other receivables	27,521	13,415
Other financial assets - current	-	3,778
Refundable deposits	24,799	6,408

Financial liabilities	December 31, 2020	December 31, 2019
Financial liabilities measured at FVTPL		
Mandatorily measured at FVTPL	-	1,623
Financial liabilities measured at amortized cost		
Short-term borrowings	710,000	1,184,000
Short-term notes payable	449,934	-
Notes and accounts payable (including related parties)	478,132	453,620
Other payables (including related parties)	303,655	284,709
Lease liabilities – current and noncurrent	79,525	98,117
Guarantee deposits received	23,164	23,664

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 (Foreign currency：functional currency)	December 31, 2020 Amount in Foreign Currency	December 31, 2020 Exchange Rate	December 31, 2020 In NTD	December 31, 2019 Amount in Foreign Currency	December 31, 2019 Exchange Rate	December 31, 2019 In NTD
Financial assets						
Monetary items						
USD：NTD	$ 16,542	28.48	$ 471,116	$ 15,706	29.98	$ 470,866
CNY： NTD	3,496	4.3770	15,302	5,045	4.3050	21,719
Financial liabilities						
Monetary items						
USD：NTD	5,772	28.48	164,387	3,592	29.98	107,688

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 2020 and 2019 would increase/decrease by $2,576 thousand and $3,079 thousand, respectively.

The unrealised net exchange gain (loss) arising from significant foreign exchange movement on the monetary items held by the Company for 2020 and 2019 amounted to $1,819 thousand and $7,899 thousand, respectively. Due to complexity and large volume of transaction in foreign currencies, the unrealised 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 $993 thousand and $1,426 thousand for 2020 and 2019, 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 2020 and 2019 would have increased/decreased by $6,032 thousand and $5,119 thousand, respectively； Equity would have increased/decreased by $2,087 thousand and $1,990, 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, 2020 and 2019, the above customers account for

45.90% and 41.05% of the Company's total accounts receivables (including related parties), respectively.

D. Exposure to credit risk

The Company conducts business with financial intuitions 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, 2020 Carrying amount	December 31, 2020 Maximum amount exposed to credit risk	December 31, 2019 Carrying amount	December 31, 2019 Maximum amount exposed to credit risk
Cash and cash equivalents	$ 39,298	$ 39,298	$ 42,032	$ 42,032
Notes receivable (including related parties)	221,033	221,033	194,524	194,524
Accounts receivable (including related parties)	1,040,628	1,040,628	1,004,966	1,004,966
Other receivables	27,521	27,521	13,415	13,415
Other financial assets	-	-	3,778	3,778

(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).

	December 31, 2020						
Item	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contractual cash flows	Carrying amount
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

	December 31, 2019						
Item	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contractual cash flows	Carrying amount
Non-derivative financial liabilities							
Short-term borrowings	$1,037,260	$150,609	$ −	$ −	$ −	$1,187,869	$1,184,000
Notes payable	101,573	−	−	−	−	101,573	101,573
Accounts payable (including related parties)	352,047	−	−	−	−	352,047	352,047
Other payables (including related parties)	284,709	−	−	−	−	284,709	284,709
Derivative financial liabilities							
Foreign exchange forward contract：							
Outflows	1,623	−	−	−	−	1,623	1,623

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 or indirectly.

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, 2020 and 2019, the Company classifies the assets and liabilities based on their nature, characteristics, level of risks and fair value ：

	December 31, 2020			
Financial and non-financial instruments	Level 1	Level 2	Level 3	Total
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

	December 31, 2019			
Financial and non-financial instruments	Level 1	Level 2	Level 3	Total
Assets：				
Recurring fair value				
FVTPL financial assets - current				
Listed stocks	$ 513,443	$ -	$ -	$ 513,443
Derivative instruments – forward exchange contracts	-	90	-	90
Financial assets measured at FVTOCI – noncurrent				
Non-listed stocks	-	-	199,011	199,011
Total	$ 513,443	$ 90	$ 199,011	$ 712,544
Liabilities：				
Recurring fair value				
Financial liabilities at FVTPL - current				
Derivatives – foreign exchange swap contracts	$ -	$ 1,623	$ -	$ 1,623

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 (i.e., yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters). 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 2020 and 2019： None

6. Changes in level 3 financial instruments for 2020 and 2019

Item	Non-derivative equity instruments – unlisted stocks	
	2020	2019
Beginning balance	$ 199,011	$ 181,459
Acquisition in this period	–	–
Disposition in this period	–	–
Funds returned from capital reduction in this period	(2,550)	(4,500)
Recognized in other comprehensive income	12,248	22,052
Ending balance	$ 208,709	$ 199,011

7. In 2020 and 2019, 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 December 31, 2020	Valuation technique	Material unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments：					
Un-listed stocks	$ 164,215	Market approach	Liquidation discount	25%	higher liquidation discount, lower fair value results
Venture capital stocks	44,494	Asset approach	NA	NA	NA
Total	$ 208,709				

Item	Fair value as of December 31, 2019	Valuation technique	Material unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments：					
Un-listed stocks	$ 156,545	Market approach	Liquidation discount	25%	higher liquidation discount, lower fair value results
Venture capital stocks	42,466	Asset approach	NA	NA	NA
Total	$ 199,011				

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：

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

			2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
Item	Input value	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Non-derivative equity instruments：						
Un-listed stocks	Liquidation discount	+1%	$ -	$ -	$ -	($ 2,087)
		-1%	$ -	$ -	$ 2,059	$ -

12.5 Additional disclosure on impacts from COVID-19 pandemic

Due to COVID-19 pandemic, the sales volume of the Company's various products reduced drastically, which led to about 35% reduction in revenue in 2020 compared to previous year.

In response to COVID-19 pandemic, the Company had adopted the following actions：

1. Adjust operating strategies

   Regarding shrunken and stalled sales volume, in order to prevent accumulating inventories, the factories responded in reducing or productions while performing assessment on total halt of productions. In addition, future economic recovery and favorable business directions are considered and lean production strategy is adopted instead to sustain ongoing business operations.

2. Financing strategy

   Considering the economic impact from the pandemic, strove toward balancing of production and sales to reduce financial pressure from excessive inventories. In addition, tight policies such as temporarily reducing the various entertainment, using of private cars for business use, reducing telephone expenses, etc. to save operating expenses and to stabilize financial structure.

3. Government reliefs

   The Company had applied various subsidiaries with the government covering business operating funds, salaries, etc. and deductions on various utility expenses. As of December 31, 2020, total $149,694 thousand of pandemic subsidiary income had been recorded, and the total reduced utility expenses was $52,151 thousand.

Based on available information on the balance sheet date, in making material accounting estimates, the Company had considered the impacts from the pandemic on the economy. Although the government had gradually eased policy restrictions due to stabilizing conditions of the pandemic domestically, most countries are still under lockdown. The global economy continues to shrink, and consumer behaviors also change, the Company has uncertainty on the timing of returning to normal operations. With stabilizing conditions of the pandemic and ease of policy restrictions, the Company expects that the operations would gradually return to normal.

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, 2020			
					Number of shares	Book value	Ownership (%)	Fair value
ZIG HENG INDUSTRIAL CO., LTD.	Stock	FORMOSA PLASTICS CORPORATION	—	Financial assets measured at FVTPL - current	734	$ 18,691	0.13	$ 18,691
		UPC TECHNOLOGY CORPORATION	—	Financial assets measured at FVTPL - current	657	12,614	0.05	12,614
		CHINA PETROCHEMICAL DEVELOPMENT CORPORATION	—	Financial assets measured at FVTPL - current	500	5,825	0.02	5,825
		TAINAN SPINNING CO., LTD.	—	Financial assets measured at FVTPL - current	3,008	45,125	0.18	45,125
		LEALEA ENTERPRISE CO., LTD.	—	Financial assets measured at FVTPL - current	632	8,347	0.07	8,347
		LI PENG ENTERPRISE CO., LTD.	—	Financial assets measured at FVTPL - current	413	3,725	0.05	3,725
		YI JINN INDUSTRIAL CO., LTD.	—	Financial assets measured at FVTPL - current	8,623	142,280	2.86	142,280
		LAN FA TEXTILE CO., LTD.	—	Financial assets measured at FVTPL - current	1,320	11,920	0.37	11,920
		DE LICACY INDUSTRIAL CO., LTD.	—	Financial assets measured at FVTPL - current	3,565	66,318	0.93	66,318
		ECLAT TEXTILE CO., LTD.	—	Financial assets measured at FVTPL - current	203	85,609	0.07	85,609
		NANTEX INDUSTRY CO., LTD.	—	Financial assets measured at FVTPL - current	1,980	120,978	0.40	120,978
		Winbond Electronics Corporation	—	Financial assets measured at FVTPL - current	761	22,104	0.02	22,104
		YANG MING MARINE TRANSPORT CORPORATION	—	Financial assets measured at FVTPL - current	500	14,625	0.02	14,625
		Cathay Financial Holding Co., Ltd.	—	Financial assets measured at FVTPL - current	300	12,675	-	12,675
		SHIN KONG FINANCIAL HOLDING CO., LTD.	—	Financial assets measured at FVTPL - current	834	7,345	0.01	7,345
		INNOLUX CORPORATION	—	Financial assets measured at FVTPL - current	500	7,050	0.01	7,050
		RICH DEVELOPMENT CONSTRUCTION CO., LTD.	—	Financial assets measured at FVTPL - current	550	5,771	0.07	5,771
		Capital Securities Corporation	—	Financial assets measured at FVTPL - current	300	4,065	0.01	4,065
		FENG TAY ENTERPRISES CO., LTD.	—	Financial assets measured at FVTPL - current	40	7,900	-	7,900
		LILYENT CORP.	—	Financial assets measured at FVTOCI - non-current	2,881	64,942	4.01	64,942
		Yen Hsing Textile Co., Ltd.	The Company is the director of the company	Financial assets measured at FVTOCI - non-current	8,732	78,586	13.99	78,586
		YI TONG FIBER CO., LTD.	—	Financial assets measured at FVTOCI - non-current	1,341	19,302	1.52	19,302
		CHU SING INDUSTRIAL CO., LTD.	—	Financial assets measured at FVTOCI - non-current	29	1,385	3.32	1,385
		Ability I Venture Capital Corp.	The Company is the supervisor of the company	Financial assets measured at FVTOCI - non-current	2,295	21,734	3.00	21,734
		ABILITY ASIA CAPITAL CORP.	The Company is the supervisor of the company	Financial assets measured at FVTOCI - non-current	2,000	22,760	1.04	22,760

4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital： None ;

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	$240,853	3.15%	15 days after month closing	No significant difference	No significant difference	Accounts receivable $45,496	Accounts receivable 4.37%

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, 2020	December 31, 2019	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 6.10
	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%	$16,564	$ 3,010	$ 2,879	Include $131 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%	4,828	2,155	2,179	Include $24 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%	(2,671)	2,156	2,156	

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.	Manufacture of special industrial textile, highly simulated artificial fiber, high-quality dyes and printing on fabrications, aft processing , sale of self-manufactured products	USD24,782	Note (1)	$185,020 (USD5,400)	—	—	$185,020 (USD5,400)	($34,425)	21.79%	— Note (3)	0 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)	3,010	100.00%	$3,010 Note (2)	$16,619 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)	$3,915,521

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, 2020：

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

B. For the year ended December 31, 2019：

	Purchases		Accounts Payable	
Name of related party	Amount	Percentage of the Company's total purchases	Amount	Percentage of the Company's total accounts payable
Suzhou Hongsheng Trading Co., Ltd.	$ 21	–	$ –	–

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, 2020：

	Sales revenue		Accounts receivable	
Name of related party	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%

B. For the year ended December 31, 2019：

	Sales revenue		Accounts receivable	
Name of related party	Amount	Percentage of the Company's total sales	Amount	Percentage of the Company's total accounts receivable
Suzhou Hongsheng Trading Co., Ltd.	$80,279	0.68%	$21,715	2.16%

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 $51 thousand and $811 thousand of business processing fees to Suzhou Hongsheng Trading Co., Ltd. in 2020 and 2019, respectively. The amounts are recorded in operating expense.

B. The Company sold R&D samples to Suzhou Hongsheng Trading Co., Ltd. for $2,369 thousand and $2,284 in 2020 and 2019, 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 2020 and 2019 were $73 thousand and $597 thousand, respectively；the realized sales gains were $597 thousand and $318, respectively.

(4) Information on major shareholders

2020.12.31.

Shares / Name of Major Shareholders	Number of Shares Held	Percentage of Ownership (%)
Yi Sheng Investment Co., Ltd.	52,783,760	9.59%

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.