

Stock Code : 1455

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
and Independent Auditors' Report

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Zig Sheng Industrial Co., Ltd. and Subsidiaries

2022 Consolidated Financial Statements

Table of Contents

Item	Page
Cover	1
Table of Contents	2
Declaration Statement	3
Independent Auditors' Report	4
Consolidated Balance Sheets	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	
1. General Information	9
2. The Authorization of Financial Statements	9
3. Application of New and Amended Standards and Interpretations	9~11
4. Summary of Significant Accounting Policies	11~30
5. Major Sources of Critical Accounting Judgments, Estimates and Uncertainties	30~34
6. Description of Significant Accounts	34~72
7. Related Party Transactions	72~74
8. Pledged Assets	74
9. Significant Contingent Liabilities and Unrecognized Contract Commitments	74~75
10. Significant Disaster Losses	75
11. Significant Subsequent Events	75
12. Others	75~85
13. Supplementary disclosures	
13.1 Information on significant transactions	85~89
13.2 Information on investees	85~89
13.3 Information on investment in Mainland China	90~91
13.4 Information on major shareholders	92
14. Segment Information	93~96

Declaration Statement

December 31, 2022

March 11, 2023

According to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, for the year of 2022 (from January 1, 2022 to December, 2022), 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 : Yeh, Sou-Tsun

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, 2022 and 2021, the Consolidated statements of comprehensive income, Consolidated statements of changes in equity, and Consolidated statements of cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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" and the International Financial Reporting Standards, International Accounting Standards, and the related interpretations endorsed and issued into effect by the Financial Supervisory Commission (together "IFRSs").

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 of 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, 2022. 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, 2022 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 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 6.31 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 2022 and 2021 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 IFRSs 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 of 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 of 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 relationships and other matters that may reasonably be thought to affect our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended December 31, 2022 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 than the additional benefits brought to the public from such communication.

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

Crowe (TW) CPAs
Taipei, Taiwan
Republic of China

March 10, 2023

Notice to Readers

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

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
11xx	Current Assets	\$ 3,451,871	37	\$ 4,897,722	45
1100	Cash and cash equivalents (Note 6.1)	85,324	1	71,448	1
1110	Financial assets at FVTPL – current (Note 6.2)	585,649	6	916,107	8
1150	Notes receivable, net (Note 6.3)	128,376	1	269,770	3
1170	Accounts receivable, net (Note 6.4)	663,674	7	1,295,846	12
1180	Accounts receivable - related parties (Note 6.4.7)	32,714	-	41,820	-
1200	Other receivables (Note 6.5)	2,252	-	7,513	-
1220	Current-period income tax assets (Note 6.38)	6	-	29	-
1310	Inventories, net (Note 6.6)	1,880,760	21	2,247,309	21
1410	Prepayments (Note 6.7)	18,326	-	47,880	-
1479	Other current assets - other (Note 6.8)	54,790	1	-	-
15xx	Noncurrent Assets	5,730,972	63	5,879,093	55
1517	Financial assets at FVTOCI – noncurrent (Note 6.9)	195,288	2	246,998	2
1600	Property, plant and equipment (Note 6.11)	4,547,680	49	4,715,038	44
1755	Right-of-use asset (Note 6.12)	63,239	1	74,673	1
1760	Investment properties, net (Note 6.13)	694,580	8	643,670	6
1780	Intangible assets (Note 6.14)	3,683	-	2,133	-
1840	Deferred income tax assets (Note 6.38)	78,877	1	76,092	1
1915	Prepayments for equipment	74,901	1	49,808	1
1920	Guarantee deposits paid (Note 6.15)	22,967	-	23,479	-
1990	Other noncurrent assets – other (Note 6.16)	49,757	1	47,202	-
1xxx	Total Assets	\$ 9,182,843	100	\$ 10,776,815	100
Code	Liabilities and Equity				
21xx	Current Liabilities	\$ 2,306,947	25	\$ 3,139,025	29
2100	Short-term loans (Note 6.17)	1,479,900	16	1,260,000	12
2110	Short-term notes and bills payable (Note 6.18)	49,963	1	499,845	4
2120	Financial liabilities at FVTPL – current (Note 6.19)	-	-	1,526	-
2130	Contractual liabilities – current (Note 6.31)	75,418	1	54,457	1
2150	Notes payable (Note 6.20)	166,516	2	217,881	2
2170	Accounts payable (Note 6.20)	217,453	2	624,095	6
2180	Accounts payable to related parties (Note 7)	39	-	82	-
2200	Other payables (Note 6.20)	274,221	3	409,008	4
2230	Current-period income tax liabilities (Note 6.38)	9	-	31,507	-
2250	Provisions - current (Note 6.22)	27,905	-	25,572	-
2280	Lease liabilities - current (Note 6.12)	13,551	-	13,448	-
2399	Other current liabilities – other (Note 6.23)	1,972	-	1,604	-
25xx	Noncurrent Liabilities	286,524	3	327,480	3
2570	Deferred income tax liabilities (Note 6.38)	137,524	1	137,395	1
2580	Lease liabilities - noncurrent (Note 6.12)	51,837	1	63,143	1
2640	Net defined benefit liability - noncurrent (Note 6.24)	73,869	1	103,778	1
2645	Guarantee deposits received (Note 6.25)	23,294	-	23,164	-
2xxx	Total Liabilities	2,593,471	28	3,466,505	32
31xx	Equity attributable to owners of the parent				
3100	Share capital (Note 6.26)	5,316,884	58	5,316,884	49
3110	Common shares	5,316,884	58	5,316,884	49
3200	Capital surplus (Note 6.27)	399,133	4	398,835	4
3300	Retained earnings (Note 6.28)	832,141	9	1,534,694	14
3310	Legal reserve	341,448	4	249,476	2
3320	Special reserve	321,614	3	321,614	3
3350	Unappropriated retained earnings	169,079	2	963,604	9
3400	Other equity interest (Note 6.29)	41,214	1	59,897	1
3410	Exchange differences from translation of foreign operations	(424)	-	(270)	-
3420	Unrealized gains or losses on financial assets at FVTOCI	41,638	1	60,167	1
3xxx	Total Equity	6,589,372	72	7,310,310	68
3x2x	Total Liabilities and Equity	\$ 9,182,843	100	\$ 10,776,815	100

(The accompanying notes form 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, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Item	2022		2021	
		Amount		Amount	
4000	Operating revenue (Note 6.31)	\$	9,301,445 100	\$	11,218,513 100
5000	Operating costs (Note 6.6, 6.36)	(	9,087,845) (98)	(	9,996,561) (89)
5900	Gross profit (loss) from operations		213,600 2		1,221,952 11
6000	Operating expenses (Note 6.36)	(	458,810) (5)	(	574,057) (5)
6100	Selling expenses	(	295,678) (3)	(	339,139) (3)
6200	Administrative expenses	(	105,548) (1)	(	176,185) (1)
6300	Research and development expenses	(	57,516) (1)	(	58,733) (1)
6450	Expected credit losses (reversal) (Note 6.4)	(	68) -		- -
6900	NET OPERATING INCOME (LOSS)	(	245,210) (3)		647,895 6
	Non-operating income and expenses				
7100	Interest income (Note 6.32)		520 -		116 -
7010	Other income (Note 6.33)		201,807 2		150,673 1
7020	Other gains and losses (Note 6.34)	(	233,669) (2)		224,944 2
7050	Finance costs (Note 6.35)	(	9,445) -	(	19,151) -
7000	Total non-operating income and expenses	(	40,787) -		356,582 3
7900	INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(	285,997) (3)		1,004,477 9
7950	INCOME TAX EXPENSE (Note 6.38)		4,203 -	(	84,400) (1)
8200	NET INCOME (LOSS)	(	281,794) (3)		920,077 8
	OTHER COMPREHENSIVE INCOME (LOSS)				
	Items that will not be reclassified subsequently to profit or loss :				
8316	Unrealized measurement gains or losses on equity instruments measured at FVTOCI (Note 6.9)	(	18,529) -		33,810 -
8311	Remeasurements of defined benefit liability (Note 6.24)		5,740 -	(	438) -
8349	Income tax related to items that will not be reclassified subsequently to profit or loss (Note 6.38)	(	1,148) -		88 -
8310	Total items that will not be reclassified subsequently to profit or loss	(	13,937) -		33,460 -
	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	(	154) -	(	51) -
8360	Total items that may be reclassified subsequently to profit or loss	(	154) -	(	51) -
8300	Total other comprehensive income (loss) for the period, net of income tax	(	14,091) -		33,409 -
8500	TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(\$	295,885) (3)	\$	953,486 8
8600	Net income (loss) attributable to :				
8610	Owners of the parent	(\$	281,794) (3)	\$	920,077 8
8700	Total comprehensive income (loss) attributable to :				
8710	Owners of the parent	(\$	295,885) (3)	\$	953,486 8
	EARNINGS (LOSS) PER SHARE – COMMON SHARES (NT\$) (Note 6.39)				
9750	Basic earnings (loss) per share	(\$	0.53)	\$	1.73
9850	Diluted earnings (loss) per share			\$	1.73

(The accompanying notes form 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, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Item	Share Capital - Common 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 on January 1, 2021	\$ 5,500,014	\$ 492,157	\$ 249,476	\$ 321,614	\$ 97,046	(\$ 219)	\$ 26,357	(\$ 160,576)	\$ 6,525,869
	Appropriation of earnings :									
B5	Cash dividends for common shares	-	-	-	-	(53,169)	-	-	-	(53,169)
C15	Cash dividends from additional paid-in capital	-	(106,338)	-	-	-	-	-	-	(106,338)
C17	Unclaimed overdue dividends by shareholders	-	455	-	-	-	-	-	-	455
D1	Profit (loss) for 2021	-	-	-	-	920,077	-	-	-	920,077
D3	Other comprehensive income, net of tax, for 2021	-	-	-	-	(350)	(51)	33,810	-	33,409
L1	Buy back treasury shares	-	-	-	-	-	-	-	(9,993)	(9,993)
L3	Cancellation of treasury shares	(183,130)	12,561	-	-	-	-	-	170,569	-
Z1	Balance, December 31, 2021	<u>\$ 5,316,884</u>	<u>\$ 398,835</u>	<u>\$ 249,476</u>	<u>\$ 321,614</u>	<u>\$ 963,604</u>	<u>(\$ 270)</u>	<u>\$ 60,167</u>	<u>\$ -</u>	<u>\$ 7,310,310</u>
A1	Balance on January 1, 2022	\$ 5,316,884	\$ 398,835	\$ 249,476	\$ 321,614	\$ 963,604	(\$ 270)	\$ 60,167	\$ -	\$ 7,310,310
	Appropriation of earnings :									
B1	Legal reserve	-	-	91,972	-	(91,972)	-	-	-	-
B5	Cash dividends for common shares	-	-	-	-	(425,351)	-	-	-	(425,351)
C17	Unclaimed overdue dividends by shareholders	-	298	-	-	-	-	-	-	298
D1	Profit (loss) for 2022	-	-	-	-	(281,794)	-	-	-	(281,794)
D3	Other comprehensive income, net of tax, for 2022	-	-	-	-	4,592	(154)	(18,529)	-	(14,091)
Z1	Balance, December 31, 2022	<u>\$ 5,316,884</u>	<u>\$ 399,133</u>	<u>\$ 341,448</u>	<u>\$ 321,614</u>	<u>\$ 169,079</u>	<u>(\$ 424)</u>	<u>\$ 41,638</u>	<u>\$ -</u>	<u>\$ 6,589,372</u>

(The accompanying notes form 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, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Item	2022	2021
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Net profit (loss) before tax from continuing operations	(\$ 285,997)	\$ 1,004,477
A20000	Adjustments :		
A20010	Income/gain or expense/loss items not affecting cash flows		
A20100	Depreciation expense (including depreciation of right-of-use assets and investment properties)	403,707	462,919
A20200	Amortization expense	32,496	27,137
A20400	Net loss (gain) on financial assets and liabilities measured at FVTPL	212,899 (	62,183)
A20900	Interest expense	20,707	13,906
A21200	Interest income	(520)	(116)
A21300	Dividend income	(82,022)	(37,059)
A22500	Net loss (gain) on disposal or scrapping of property, plant and equipment	(22,291)	33
A23100	Net loss (gain) from disposal of investments	89,986	(190,076)
A20010	Total income/gain or expense/loss items not affecting cash flows	654,962	214,561
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at FVTPL	20,365 (	51,787)
A31130	Decrease (increase) in notes receivable	141,394 (	48,540)
A31150	Decrease (increase) in accounts receivable	632,172 (	319,931)
A31160	Decrease (increase) in accounts receivable – related parties	9,106	3,676
A31180	Decrease (increase) in other receivables	5,466	10,460
A31200	Decrease (increase) in inventories	351,527 (	1,178,961)
A31230	Decrease (increase) in prepayments	29,554 (	28,893)
A31240	Decrease (increase) in other current assets - other	(54,790)	-
A32125	Increase (decrease) in contractual liabilities	20,961 (	26,347)
A32130	Increase (decrease) in notes payable	(51,365)	111,194
A32150	Increase (decrease) in accounts payable	(406,642)	252,708
A32160	Increase (decrease) in accounts payable – related parties	(43)	(113)
A32180	Increase (decrease) in other payables	(123,953)	110,166
A32200	Increase (decrease) in provisions	2,333	999
A32230	Increase (decrease) in other current liabilities - other	368	668
A32240	Increase (decrease) in net defined benefit liabilities	(24,169)	(8,209)
A30000	Total changes in operating assets and liabilities	552,284	(1,172,910)
A33000	Cash generated from operations	921,249	46,128
A33100	Interest received	315	116
A33200	Dividend received	82,022	37,059
A33300	Interest paid	(20,122)	(13,866)
A33500	Income taxes paid	(31,076)	(224)
AAAA	Net cash flows from (used in) operating activities	952,388	69,213

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BBBB	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Acquisition of FVTOCI financial assets	-	(13,200)
B00030	Returned capital from FVTOCI financial assets	33,181	8,721
B02700	Acquisition of property, plant and equipment	(147,567)	(218,014)
B02800	Disposal of property, plant and equipment	22,455	407
B03700	Increase in refundable deposit paid	(10)	(59)
B03800	Decrease in refundable deposit paid	522	1,523
B04500	Acquisition of intangible assets	(2,181)	(907)
B05400	Acquisition of investment properties	(55,860)	(3,631)
B06700	Increase in other noncurrent assets - other	(33,715)	(40,753)
B07100	Increase in prepayments for equipment	(87,070)	(220,202)
BBBB	Net cash flows from (used in) investing activities	(270,245)	(486,115)
CCCC	CASH FLOWS FROM FINANCING ACTIVITIES : (Note 6.37)		
C00100	Increase in short-term loans	12,122,342	12,136,870
C00200	Decrease in short-term loans	(11,902,442)	(11,586,870)
C00500	Increase in short-term notes and bills payable	2,450,000	4,380,000
C00600	Decrease in short-term notes and bills payable	(2,900,000)	(4,330,000)
C03000	Increase in deposits received	750	95
C03100	Decrease in deposits received	(620)	(95)
C04020	Lease principal repayment	(13,090)	(12,952)
C04500	Distribution of cash dividends	(425,351)	(159,507)
C04900	Cost for buying back treasury shares	-	(9,993)
C09900	Undrawn overdue dividends payable transferred to capital surplus	298	455
CCCC	Net cash flows from (used in) financing activities	(668,113)	418,003
DDDD	Effects on cash and cash equivalents due to fluctuations in exchange rates	(154)	(51)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,876	1,050
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	71,448	70,398
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 85,324	\$ 71,448
E00210	RECORDED CASH AND CASH EQUIVALENTS ON THE CONSOLIDATED BALANCE SHEET	\$ 85,324	\$ 71,448

(The accompanying notes form 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, 2022 and 2021
(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

1. General Information

Zig Sheng Industrial Co., Ltd. (the “Company”) was founded and registered with approval on August 18, 1969 according to the Company Act and other relevant laws and regulations. The principal operating activities of the Company are as following :

- (1) Spinning, weaving, dyeing/finishing, printing, processing, and trading of various filaments, artificial cotton and nylon fiber.
- (2) Production, selling, import/export trading 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 10, 2023.

3. Application of New Standards, Amendments, and Interpretations

- 3.1 Effects from application of the newly issued or revised International Financial Reporting Standards endorsed and issued into effect by the Financial Supervisory Commission R.O.C. (Taiwan) (“FSC”) :

According to FSC Jin-Guan-Zheng-Shen No. 1100362952 Order on July 26, 2021, the Company shall, beginning from 2022, prepare its financial statements, apply the International Financial Reporting Standards, International Accounting Standards, and the related interpretations and announcements released by the International Accounting Standards Board (“IASB”) and endorsed, 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 endorsed by FSC and effective in 2022 :

<u>Newly Issued/Amended/Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IFRS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Annual Improvements to IFRS Standards 2018-2021	January 1, 2022

After assessment, the above standards and interpretations do not have material impact on the consolidated financial position and consolidated 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 endorsed by FSC and effective in 2023 :

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 "Disclosures of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

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 International Financial Reporting Standards issued by IASB but not yet been endorsed and issued into effect by FSC :

The International Financial Reporting Standards 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
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Pending for determination by IASB

After preliminary assessment, application of the above standards and interpretations do not have material impact on the consolidated financial position and consolidated financial performance of the Group. The Group will continue 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 of 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	
			2022.12.31	2021.12.31
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%
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, 2022 and 2021, 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. Nature and degree of 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 \$16,959 thousand and \$20,328 thousand as of December 31, 2022

and 2021, respectively, are restricted from transferring out of Mainland China (except for normal dividends or business transactions (trading)).

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

4.4 Foreign currency exchange

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 realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within twelve months from the balance sheet date; or
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

2. Liabilities that meet one of the following criteria are classified as current liabilities :

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

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

4.6 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.

Upon initial recognition of financial assets and financial liabilities, they are measured at fair value. Upon initial recognition, the transaction costs that can be directly attributable to obtaining or issuing the financial assets and financial liabilities (except for ones classified as FVTPL financial assets and financial liabilities) shall be added to or subtracted from the fair value of the financial assets and financial liabilities. The transaction costs that can be directly attributable to obtaining or issuing FVTPL financial assets are recorded in profit or loss in the period occurred.

4.8 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 met :

1. The contractual rights to receive cash flows from the financial asset expire.
2. The contractual rights to receive cash flows from the financial asset have been transferred and the 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 realizable 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and of sales completion.

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. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.

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. Except for land, depreciation is recognized using the straight-line method based on the estimated useful life. On de-recognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

4.20 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 either classified as financial assets measured at FVTPL, FVTOCI, or amortized cost.
3. For embedded derivative instruments non-financial assets with mixed contracts, based on the contractual terms at initial recognition, judgements are made to determine if the embedded derivative instruments are closely related to the economical characters and risk of the main contract and determine whether or not they should be treated separately. When closely related, the mixed instruments as a whole, based on their nature, are treated with proper respective standards. When not closely related, the derivative instruments are treated as separate derivative instruments with the main contract, and the main contract, based on its nature, is treated with proper respective standards ; or the derivative instruments and the main contract as a whole are designated as financial assets or liabilities at FVTPL at initial recognition.

4.26 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 contract 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. If the purpose of the grants is to provide the Company with immediate financial support and without future related cost, then the grants are recorded in profit or loss in the period when they are receivable. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

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

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

3. Operating lease commitment – when the 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 accounts receivable 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, 2022 and 2021, the book value of the Group's receivables were \$827,016 thousand and \$1,614,949 thousand, respectively.

2. Valuation of inventories

As inventories are stated at the lower of cost and net realizable 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 realizable value. Such valuation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the valuation. As of December 31, 2022 and 2021, the book value of the Group's inventories were \$1,880,760 thousand and \$2,247,309 thousand, respectively (net of allowances for inventory obsolete or valuation losses of \$185,171 thousand and \$118,689 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, 2022 and 2021, the book value of the Group's investments in non-public stocks were \$195,288 thousand and \$246,998 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, 2022 and 2021, 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 utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Group's strategy might result in material impairment of assets in the future. As of December 31, 2022 and 2021, the recorded accumulated impairment amount of the Group's intangible assets were both \$2,175 thousand.

6. Realizability of deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. The Group's management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred tax assets. As of December 31, 2022 and 2021, the Group recorded \$78,877 thousand and \$76,092

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 \$2,283 thousand and \$5,777 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, 2022 and 2021, the book value of the Group's net defined benefit obligation were \$73,869 thousand and \$103,778 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, 2022	December 31, 2021
Cash on hand and petty cash	\$ 1, 923	\$ 2, 011
Checking account	29, 584	22, 938
Demand deposits	48, 968	31, 729
Time deposits with original maturities within 3 months	4, 849	14, 770
Total	<u>\$ 85, 324</u>	<u>\$ 71, 448</u>

1. The Group does not have cash and cash equivalents pledged to others.

2. As of December 31, 2022 and 2021, the range of market interest rates was 1.755%.

6.2 FVTPL financial assets - current

Item	December 31, 2022	December 31, 2021
Mandatorily measured at FVTPL		
Listed stocks	\$ 585, 178	\$ 916, 083
Derivatives – foreign exchange swap	471	24
Total	<u>\$ 585, 649</u>	<u>\$ 916, 107</u>

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 2022 and 2021 were (\$303,356) thousand and \$253,761 thousand, respectively.
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, 2022 and 2021, 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, 2022 :				
Foreign exchange swap	USD/NTD	USD 4,540/NTD138,978	\$ 471	2023.1. 3.~2023.1.12.
Financial Instrument	Buy/Sell Currency	Contract Amount	Fair Value	Contract Period Until Expiration
(2) December 31, 2021 :				
Buy forward exchange contract	JPY/NTD	JPY107,000/NTD27,264	(\$ 1, 526)	2022.1.21.
Foreign exchange swap	USD/NTD	USD 3,980/NTD110,122	\$ 24	2021.1.10.~2022.1.14.

The recorded net gain (loss) in 2022 and 2021 due to the Group's engagement in derivative contractual transactions were \$7,799 thousand and (\$6,249) thousand, respectively.

4. The Group does not have FVTPL financial assets - current pledged to others.

6.3 Notes receivable

Item	December 31, 2022	December 31, 2021
Notes receivable	\$ 128, 376	\$ 269, 770
Less : Allowance for losses	—	—
Net amount	\$ 128, 376	\$ 269, 770

1. All of the Group's notes receivable are not overdue; the expected rate of credit loss is 0%.
2. The Group does not have notes receivable pledged to others.

6.4 Accounts receivable (including related parties)

Item	December 31, 2022	December 31, 2021
Accounts receivable	\$ 663, 674	\$ 1, 295, 846
Less : Allowance for losses	–	–
Subtotal	663, 674	1, 295, 846
Accounts receivable - related parties	32, 714	41, 820
Less : Allowance for losses	–	–
Subtotal	32, 714	41, 820
Net amount	<u>\$ 696, 388</u>	<u>\$ 1, 337, 666</u>

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

Aging	December 31, 2022			December 31, 2021		
	Total amount	Allowance for losses	Net amount	Total amount	Allowance for losses	Net amount
Not overdue	\$ 674, 864	\$ –	\$ 674, 864	\$1, 214, 213	\$ –	\$1, 214, 213
Overdue 1 ~ 30 days	18, 191	–	18, 191	119, 625	–	119, 625
Overdue 31 ~ 90 days	2, 857	–	2, 857	3, 760	–	3, 760
Overdue 91 ~ 180 days	476	–	476	–	–	–
Overdue 181 ~ 365 days	–	–	–	–	–	–
Overdue over 365 days	–	–	–	68	–	68
Total	<u>\$ 696, 388</u>	<u>\$ –</u>	<u>\$ 696, 388</u>	<u>\$1, 337, 666</u>	<u>\$ –</u>	<u>\$1, 337, 666</u>

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

The expected rate of credit loss for the above respective account aging intervals (excluding abnormal receivables that are recognized 100%), Not overdue and Overdue within 90 days : 0% ~ 5%, Overdue 90 ~ 365 days : 25% ~ 50%, Overdue 365 or more days : 100%. The risk of expected credit loss for the 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 defaulted records, history of past receipts, condition of increase in deferred payments that exceed the average credit period, the customer's present financial condition, and changes and prospective of observable country-wide or regional economic conditions and other prospective considerations. Since the 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) :

Item	2022	2021
Balance at January 1	\$ -	\$ -
Plus : Recognition of impairment losses	68	-
Less : Reversal of impairment losses	-	-
Less : Amounts written off	(68)	-
Plus : Bad debt recovery	-	-
Foreign exchange gains and losses	-	-
Balance at December 31	\$ -	\$ -

4. The Group does not have accounts receivable (including related parties) pledged to others.

6.5 Other receivables

Item	December 31, 2022	December 31, 2021
Interest receivable	\$ 205	\$ –
Tax refund receivable	–	4,073
Discount receivable	–	1,302
Government grants receivable	550	150
Others	1,497	1,988
Total	<u>\$ 2,252</u>	<u>\$ 7,513</u>

6.6 Inventories

Item	December 31, 2022			December 31, 2021		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Raw materials	\$ 383,320	\$ 41,342	\$ 341,978	\$ 392,513	\$ 25,458	\$ 367,055
Supplies	119,432	–	119,432	123,937	302	123,635
Work in process	122,280	6,482	115,798	186,993	6,186	180,807
Finished goods	1,287,693	132,882	1,154,811	1,352,311	74,330	1,277,981
Finished goods purchased from outside	34,114	4,465	29,649	49,577	12,413	37,164
In-transit raw materials	119,092	–	119,092	260,667	–	260,667
Total	<u>\$2,065,931</u>	<u>\$ 185,171</u>	<u>\$1,880,760</u>	<u>\$2,365,998</u>	<u>\$ 118,689</u>	<u>\$2,247,309</u>

1. Cost of goods sold and other operating costs :

Item	2022	2021
Cost of goods sold	\$ 8,690,786	\$ 9,849,665
Plus : Outsourced processing costs	4,951	27,824
Plus : Unallocated labor and overheads	358,675	109,001
Plus : Loss on scrapping of inventories	1,094	1,218
Plus : Loss on inventory counts, net	27	27
Plus : Loss on net realizable value of inventories	66,482	49,351
Less : Scrap sales	(34,170)	(40,525)
Operating costs recorded	<u>\$ 9,087,845</u>	<u>\$ 9,996,561</u>

2. In the years of 2022 and 2021, the Group recorded \$66,482 thousand and \$49,351 thousand of loss on net realizable value (gain from price recovery) of inventories, respectively, mainly due to price recovery of inventories and consumption of stock.

3. The Group does not have inventories pledged to others.

6.7 Prepayments

Item	December 31, 2022	December 31, 2021
Prepayments for materials	\$ 13,159	\$ 40,761
Prepaid insurance	891	610
Office supplies	287	282
Input VAT	3,293	511
Excess sales tax paid	84	395
Others	612	5,321
Total	<u>\$ 18,326</u>	<u>\$ 47,880</u>

6.8 Other current assets - other

Item	December 31, 2022	December 31, 2021
Material borrowing from counterparties	<u>\$ 54,790</u>	<u>\$ -</u>

The counterparties of the Group borrowed CPL raw materials from the Company in November, 2022 for production scheduling needs with a borrowing agreement, which committed to return the materials by the end of March, 2023.

6.9 FVTOCI financial assets - noncurrent

Item	December 31, 2022	December 31, 2021
Domestic unlisted stocks		
Lilyent Corp.	\$ 28,812	\$ 28,812
Yen Hsing Textile Co., Ltd.	72,626	90,090
Yi Tong Fiber Co., Ltd.	13,093	19,800
Chu Sing Industrial Co., Ltd.	700	700
Ability I Venture Capital Corp.	9,429	14,229
Ability Asia Capital Corp.	16,000	20,000
Domestic limited partnership		
Ability Asia Capital II		
Outstanding Transformation	12,990	13,200
Growth Limited Partnership		
Subtotal	<u>153,650</u>	<u>186,831</u>
Plus : Valuation adjustment	<u>41,638</u>	<u>60,167</u>
Net amount	<u>\$ 195,288</u>	<u>\$ 246,998</u>

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. In July, 2021, the Group made \$13,200 thousand of new equity investment in Ability Asia Capital II Outstanding Transformation Growth Limited Partnership ; the limited partnership equity has a capital distribution of \$210 thousand on November 15, 2022 in accordance with the contractual agreement ; As of December 31, 2022, the Group had \$12,990 thousand of accumulated equity investment in the above limited partnership, which accounted for 1.58% of the total subscription amount. The Group plans to make \$40,000 thousand of total investment in the limited partnership.
3. Using March 9, 2022 as the base date, ABILITY ASIA CAPITAL CORP. reduced its capital by cash and cancelled 38,540 thousand shares of its common shares, totaled \$385,400 thousand, with capital reduction rate of 20%. 400 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$4,000 thousand.
4. Using May 3, 2022 as the base date, Yen Hsing Textile Co., Ltd. reduced its capital by cash and cancelled 12,486 thousand shares of its common shares, totaled \$124,865 thousand, with capital reduction rate of 20%. 1,747 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$17,464 thousand.
5. Using May 15, 2022 as the base date, YI TONG FIBER CO., LTD reduced its capital by cash and cancelled 44,265 thousand shares of its common shares, totaled \$442,649 thousand, with capital reduction rate of 50%. 670 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$6,707 thousand.
6. Using October 21, 2022 and December 30, 2022 as the base date, Ability I Venture Capital Corp. reduced its capital by cash and cancelled 16,000 thousand shares of its common shares, totaled \$160,000 thousand, with capital reduction rate of 33.73%. 480 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$4,800 thousand.
7. Using June 10, 2021 as the base date, Ability I Venture Capital Corp. reduced its capital by cash and cancelled 29,070 thousand shares of its common shares, totaled \$290,700 thousand, with capital reduction rate of 38%. 872 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$8,721 thousand.

8. The Group's investments in structural individual entities are limited partnership equity interests in nature, therefore, there was no transaction quantity or unit transaction price. In addition, the Group only bears the rights and obligations to the extent of the scope of investment contracts and does not have significant influence over those investments. Therefore, the largest risk exposure amounts as of the balance sheet date were the book value of those investments.
9. In 2022 and 2021, the net gain (loss) due to fair-value fluctuations was (\$18,529) thousand and \$33,810 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.
10. 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

Subsidiaries	December 31, 2022		December 31, 2021	
	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 at USD\$1.00 per share, totaled USD\$5,400 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 2022 and 2021 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., mainly conducts investments in various businesses other than Taiwan region according to instructions by management policies of the parent company. As of December 31, 2022 and 2021, 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, 2022	December 31, 2021
Land	\$ 1, 786, 837	\$ 1, 786, 837
Buildings	2, 996, 662	2, 980, 375
Machinery	9, 305, 352	9, 379, 348
Transportation equipment	80, 754	80, 913
Other equipment	340, 391	335, 014
Equipment to be inspected and construction in progress	81, 331	64, 934
Total cost	14, 591, 327	14, 627, 421
Less : Accumulated depreciation	(10, 041, 472)	(9, 910, 208)
Less : Accumulated impairment	(2, 175)	(2, 175)
Net amount	\$ 4, 547, 680	\$ 4, 715, 038

Item	Land	Buildings	Machinery	Transportation equipment	Other equipment	Equipment to be inspected and construction in progress	Total
Cost :							
Balance, January 1, 2022	\$1, 786, 837	\$2, 980, 375	\$ 9, 379, 348	\$ 80, 913	\$ 335, 014	\$ 64, 934	\$14, 627, 421
Additions	–	11, 616	57, 871	1, 750	4, 501	66, 006	141, 744
Disposals	–	–	(248, 185)	(2, 044)	(3, 903)	–	(254, 132)
Reclassification (note)	–	4, 671	116, 318	135	4, 779	(49, 609)	76, 294
Balance, December 31, 2022	\$1, 786, 837	\$2, 996, 662	\$ 9, 305, 352	\$ 80, 754	\$ 340, 391	\$ 81, 331	\$14, 591, 327
Accumulated depreciation and impairment :							
Balance, January 1, 2022	\$ –	\$1, 617, 973	\$ 8, 006, 830	\$ 75, 365	\$ 212, 215	\$ –	\$ 9, 912, 383
Depreciation expense	–	97, 243	271, 831	1, 781	14, 377	–	385, 232
Disposals	–	–	(248, 021)	(2, 044)	(3, 903)	–	(253, 968)
Reclassification	–	–	–	–	–	–	–
Balance, December 31, 2022	\$ –	\$1, 715, 216	\$ 8, 030, 640	\$ 75, 102	\$ 222, 689	\$ –	\$10, 043, 647

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

Note : The net increase from reclassifications of inventories in 2022 and 2021 were \$15,022 thousand and \$17,844 thousand, respectively ; reclassifications from prepayments for equipment were \$61,977 thousand and \$192,658 thousand, respectively ; reclassifications to intangible assets were \$705 thousand and \$1,353, respectively.

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

Item	2022	2022
Increase in property, plant and equipment	\$ 141, 744	\$ 214, 925
Plus : Decrease (increase) in payables for equipment	5, 823	3, 089
Cash payment	<u>\$ 147, 567</u>	<u>\$ 218, 014</u>

3. The amount of capitalized borrowing cost and range of interest rates 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, 2022 and 2021, 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, 2022	December 31, 2021
Buildings	\$ 79, 506	\$ 77, 746
Machinery equipment	34, 868	34, 717
Total cost	114, 374	112, 463
Less : Accumulated depreciation	(51, 135)	(37, 790)
Less : Accumulated impairment	–	–
Net amount	\$ 63, 239	\$ 74, 673

Item	Buildings	Machinery equipment	Total
Cost :			
2022.01.01 balance	\$ 77, 746	\$ 34, 717	\$ 112, 463
Addition/Remeasurement	1, 730	151	1, 881
Disposal/Write-offs	–	–	–
Foreign exchange effect	30	–	30
2022.12.31 balance	\$ 79, 506	\$ 34, 868	\$ 114, 374

Accumulated depreciation
and impairment :

2022.01.01 balance	\$	16,974	\$	20,816	\$	37,790
Depreciation expense		6,310		7,011		13,321
Disposal/Write-offs		-		-		-
Foreign exchange effect		24		-		24
2022.12.31 balance	\$	23,308	\$	27,827	\$	51,135

Item	Buildings	Machinery equipment	Total
Cost :			
2021.1.1 balance	\$ 68,195	\$ 34,734	\$ 102,929
Addition/Remeasurement	9,565	(17)	9,548
Disposal/Write-offs	-	-	-
Foreign exchange effect	(14)	-	(14)
2021.12.31 balance	\$ 77,746	\$ 34,717	\$ 112,463

Accumulated depreciation
and impairment :

2021.1.1 balance	\$	10,632	\$	13,863	\$	24,495
Depreciation expense		6,351		6,953		13,304
Disposal/Write-offs		-		-		-
Foreign exchange effect	(	9)		-	(	9)
2021.12.31 balance	\$	16,974	\$	20,816	\$	37,790

2. Lease liabilities

Item	December 31, 2022		December 31, 2021	
	Current	Noncurrent	Current	Noncurrent
Buildings	\$ 5,776	\$ 51,837	\$ 5,838	\$ 56,059
Machinery equipment	7,775	-	7,610	7,084
Total	\$ 13,551	\$ 51,837	\$ 13,448	\$ 63,143

Item	Buildings	Machinery equipment	Total
Lease liabilities :			
2022.01.01 balance	\$ 61,897	\$ 14,694	\$ 76,591
Addition/Remeasurement	1,730	151	1,881
Disposal/Write-offs	-	-	-
Lease principal repayment (	6,020)	(7,070)	(13,090)
Foreign exchange effect	6	-	6
2022.12.31 balance	\$ 57,613	\$ 7,775	\$ 65,388

Item	Buildings	Machinery equipment	Total
Lease liabilities :			
2021.1.1 balance	\$ 58,335	\$ 21,665	\$ 80,000
Addition/Remeasurement	9,565	(17)	9,548
Disposal/Write-offs	-	-	-
Lease principal repayment (	5,998)	(6,954)	(12,952)
Foreign exchange effect	(5)	-	(5)
2021.12.31 balance	\$ 61,897	\$ 14,694	\$ 76,591

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

Item	Expected lease period (including renewal rights)	December 31, 2022	December 31, 2021
Buildings	3~15 years	0.17%~1.42%	0.17%~1.42%
Machinery equipment	5 years	1.00%	1.00%

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

Item	December 31, 2022	December 31, 2021
Within 1 year	\$ 14,389	\$ 14,414
Over 1 year but within 5 years	22,769	29,379
Over 5 years but within 10 years	27,626	27,626
Over 10 years but within 15 years	5,525	11,050
Over 15 years but within 20 years	-	-
Over 20 years	-	-
Undiscounted total lease payments	\$ 70,309	\$ 82,469

3. Material leasing activities and terms

(1) The Group leases buildings and machinery 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. When events occurred which materially affect the assessment on the enforcement of extension option or non-exercising of the termination option, the lease periods would be re-estimated.

4. Sublease : None

5. Other relevant information on leases

In 2022 and 2021, based on the operating lease contracts, the Group recorded rental income of \$76,503 thousand and \$74,655 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 6.13-7.

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

Item	2022	2021
Short-term lease expense	\$ 595	\$ 544
Low-value-assets lease expense	-	-
Expense on variable lease payments	-	-
Total	\$ 595	\$ 544
Interest expense on lease liabilities	\$ 978	\$ 1, 107
Gain from sublease of right-of-use assets	\$ -	\$ -
Gain (loss) generated from amendment of lease transactions	\$ -	\$ -

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 2022 and 2021, the total cash out flows were \$14,663 thousand and \$14,603 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, 2022	December 31, 2021
Land	\$ 583,429	\$ 583,429
Land improvements	418,966	418,746
Investment properties under construction	59,475	3,631
Subtotal	1,061,870	1,005,806
Less : Accumulated depreciation	(367,290)	(362,136)
Less : Accumulated impairment	–	–
Net amount	\$ 694,580	\$ 643,670

Item	Land	Land improvements	Investment properties under construction	Total
Cost :				
Balance, January 1, 2022	\$ 583,429	\$ 418,746	\$ 3,631	\$ 1,005,806
Additions	–	220	55,844	56,064
Disposals	–	–	–	–
Reclassification	–	–	–	–
Balance, December 31, 2022	\$ 583,429	\$ 418,966	\$ 59,475	\$ 1,061,870
Depreciation and impairment :				
Balance, January 1, 2022	\$ –	\$ 362,136	\$ –	\$ 362,136
Depreciation expense	–	5,154	–	5,154
Disposals	–	–	–	–
Reclassification	–	–	–	–
Balance, December 31, 2022	\$ –	\$ 367,290	\$ –	\$ 367,290

Item	Land	Land improvements	Investment properties under construction	Total
Cost :				
Balance, January 1, 2021	\$ 583,429	\$ 418,746	\$ –	\$ 1,002,175
Additions	–	–	3,631	3,631
Disposals	–	–	–	–
Reclassification	–	–	–	–
Balance, December 31, 2021	\$ 583,429	\$ 418,746	\$ 3,631	\$ 1,005,806

Depreciation and impairment :

Balance, January 1, 2021	\$	–	\$	356,990	\$	–	\$	356,990
Depreciation expense		–		5,146		–		5,146
Disposals		–		–		–		–
Reclassification		–		–		–		–
Balance, December 31, 2021	\$	–	\$	362,136	\$	–	\$	362,136

1. Reconciliation on addition of non-cash item and investment property in the current period and those in the statements of cash flows :

Item	2022	2021
Addition of investment properties	\$ 56,064	\$ 3,631
Less: Payables for addition of investment properties	(204)	–
Cash payment	\$ 55,860	\$ 3,631

2. Amount and range of interest rates of capitalized borrowing cost of investment properties : None

3. Rental income from investment properties and direct operating expenses arising from investment property are shown below :

Item	2022	2021
Rental income from investment properties	\$ 76,416	\$ 74,568
Direct operating expenses arising from the investment properties that generated rental income during the period	\$ 12,783	\$ 12,503
Direct operating expenses arising from the investment properties that did not generate rental income during the period	\$ –	\$ –

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

7. Lease agreements – the Group as lessor

The lease contract periods of the Group's 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, 2022	December 31, 2021
1st year	\$ 55,796	\$ 76,416
2nd year	66,378	28,076
3rd year	66,468	18,858
4th year	66,468	18,948
5th year	66,908	18,948
Over 5 years	224,896	224,484
Total	<u>\$ 546,914</u>	<u>\$ 385,730</u>

6.14 Intangible assets

Item	December 31, 2022	December 31, 2021
Cost of computer software	\$ 5,915	\$ 7,022
Less : Accumulated amortization	(2,232)	(4,889)
Less : Accumulated impairment	–	–
Net amount	<u>\$ 3,683</u>	<u>\$ 2,133</u>

Item	2022	2021
Cost of computer software :		
Beginning balance	\$ 7,022	\$ 6,284
Addition – from individual	2,181	907
Disposal / Write-off	(3,993)	(1,522)
Reclassification (Note)	705	1,353
Ending balance	<u>\$ 5,915</u>	<u>\$ 7,022</u>

Accumulated amortization and impairment :

Beginning balance	\$ 4,889	\$ 5,233
Amortization expense	1,336	1,178
Disposal / Write-off	(3,993)	(1,522)
Reclassification	–	–
Ending balance	<u>\$ 2,232</u>	<u>\$ 4,889</u>

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

1. The amount of capitalized borrowing cost and range of interest rates of intangible assets : None
2. The Group's intangible assets are amortized at straight-line method based on the following useful life :
Computer software 3 years
3. After careful assessment by the 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	2022	2021
Operating cost	\$ 652	\$ 335
Operating expense		
Sales expense	–	–
Administration expense	530	779
R&D expense	154	64
Subtotal	684	843
Total	\$ 1, 336	\$ 1, 178

6.15 Guarantee deposits paid

Item	December 31, 2022	December 31, 2021
Rental deposits - lessee	\$ 286	\$ 298
Deposits for natural gas	22, 070	22, 572
Membership deposits	500	500
Others	111	109
Total	\$ 22, 967	\$ 23, 479

6.16 Other noncurrent assets - other

Item	December 31, 2022	December 31, 2021
Long-term prepaid expenses	\$ 1, 365	\$ 449
Pallets	48, 392	46, 753
Total	\$ 49, 757	\$ 47, 202

Item	2022	2021
Other noncurrent assets		
Beginning balance	\$ 47, 202	\$ 32, 408
Addition– from individual	33, 715	40, 753
Amortization expense	(31, 160)	(25, 959)
Ending balance	\$ 49, 757	\$ 47, 202

6.17 Short-term borrowings

Item	December 31, 2022	December 31, 2021
Credit loans	\$ 1, 479, 900	\$ 1, 260, 000
Interest rates	0. 95%~1. 75%	0. 52%~0. 91%

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, 2022	December 31, 2021
Commercial paper	\$ 50, 000	\$ 500, 000
Less : Unamortized discount	(37)	(155)
Net amount	\$ 49, 963	\$ 499, 845
Interest rates	1. 69%	0. 58%~0. 69%

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, 2022	December 31, 2021
Mandatorily measured at FVTPL		
Derivative - foreign exchange swap contract	\$ -	\$ 1, 526

Please refer to Note 6.2-3 for details.

6.20 Notes and accounts payable

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

6.21 Other payables

Item	December 31, 2022	December 31, 2021
Payroll and bonus payable	\$ 134,822	\$ 185,589
Employees compensation payable	–	21,149
Directors' and supervisor's remuneration payable	–	31,723
Interest payable	784	317
Insurance payable	15,265	15,003
Transportation fees payable	4,796	8,821
Utilities payable	38,142	45,590
Export fees payable	9,664	22,711
Processing outsourcing fees payable	80	502
Professional service fees payable	1,325	1,337
Taxes payable	7,395	7,079
Sales tax payable	6,477	4,063
Payables for equipment	28,338	34,161
Payables for addition of investment properties	204	–
Investment proceeds payable	4,607	10,289
Others payable	22,322	20,674
Total	<u>\$ 274,221</u>	<u>\$ 409,008</u>

6.22 Provisions - current

Item	December 31, 2022	December 31, 2021
Employee benefits – paid leaves	<u>\$ 27,905</u>	<u>\$ 25,572</u>

- 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.

- Movement in provisions for employee benefits – current :

Item	2022	2021
Beginning balance	\$ 25,572	\$ 24,573
Addition	27,303	25,720
Used amount	(24,970)	(24,721)
Reversal amount	–	–
Ending balance	<u>\$ 27,905</u>	<u>\$ 25,572</u>

6.23 Other current liabilities – other

Item	December 31, 2022	December 31, 2021
Receipts under custody	\$ 1, 972	\$ 1, 604

6.24 Pension benefit plans

Item	December 31, 2022	December 31, 2021
Defined benefit plan	\$ 68, 429	\$ 98, 383
Defined contribution plan	5, 440	5, 395
Total	\$ 73, 869	\$ 103, 778

1. Defined benefit plan

- (1) The Company of the Group have a defined benefit pension plan in accordance with the “Labor Standards Act”, which applies to service years of all full-time employees prior to the effective date of “Labor Pension Act” on July 1, 2005 and to the subsequent service years of the employees who chose to continue to adopt Labor Standards Act after the effective of “Labor Pension Act”. 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 pension fund deposited in Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March.

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

Item	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 81, 571	\$ 108, 139
Fair value of plan assets	(13, 142)	(9, 756)
Net defined benefit liability	\$ 68, 429	\$ 98, 383

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

Item	2022	2021
Balance at January 1	\$ 108,139	\$ 119,362
Current service cost	–	–
Interest expense	753	475
Actuarial (gains)	(2,906)	(2,406)
Remeasurements – actuarial loss (gain) :		
Effect of change in demographic assumptions	244	423
Effect of change in financial assumptions	(7,829)	(4,414)
Experience adjustments	2,722	4,605
Paid benefits	(545)	–
Repayments (Note)	(19,007)	(9,906)
Balance at December 31	<u>\$ 81,571</u>	<u>\$ 108,139</u>

Note : Repayment for year ended December 31, 2022 includes repayment of \$11,334 thousand from plan assets and the carrying amount of repayment of \$7,673 thousand.

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

Item	2022	2021
Balance at January 1	\$ 9,756	\$ 12,947
Interest income	73	55
Remeasurements :		
Return on plan assets in addition to net interest	877	176
Contribution by employer	14,315	6,484
Benefits paid from plan assets	(545)	–
Repayments from plan assets	(11,334)	(9,906)
Balance at December 31	<u>\$ 13,142</u>	<u>\$ 9,756</u>

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

Item	2022	2021
Current service cost	\$ –	\$ –
Interest expense of define benefit obligations	753	475
Loss (gain) on repayments	(2,906)	(2,406)
Interest income from plan	(73)	(55)
Recorded in loss (gain)	<u>(\$ 2,226)</u>	<u>(\$ 1,986)</u>

Item	2022	2021
Remeasurements :		
Effect of change in demographic assumptions	\$ 244	\$ 423
Effect of change in financial assumptions	(7,829)	(4,414)
Experience adjustments	2,722	4,605
Return on plan assets in addition to net interest	(877)	(176)
Recognized in other comprehensive loss (income)	(\$ 5,740)	\$ 438

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

Item	2022	2021
Operating cost	(\$ 1,989)	(\$ 1,733)
Operating expense		
Sales expense	(65)	(66)
Administration expense	(125)	(150)
R&D expense	(47)	(37)
Subtotal	(237)	(253)
Total	(\$ 2,226)	(\$ 1,986)

- (7) The Company's defined pension plan fund is managed by Bank of Taiwan within the ratio and amount limits of management items regulated according to the fund's annual investment plan and in accordance with the items listed in Article 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (that is, "Deposit in domestic or foreign financial institutions", "Investment in domestic or foreign listed, over-the-counter, or private placement equity securities", "Investment in domestic or foreign real estate and its securitization products", etc.). The management of the fund is subjected to supervision by the Labor Pension Fund Supervisory Committee. The annual return distribution of the fund cannot be lower than the return from a 2-year time deposit in the local bank. If there is deficiency, the difference should be made up by the government. Since the Company does not have the right to participate in the management of the fund, the Company is unable to disclose the fair-value classification of the plan assets according to Paragraph 142 of IAS 19. For fair value of the constituents of the total plan assets as of December 31, 2022 and 2021, 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	2022	2021
Discount rate	1.35%	0.70%
Future salary increase rate	2.00%	2.00%
The weighted average duration of the defined benefit obligation	11 years	12 years

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

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

A. Interest risk

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

B. Salary risk

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

- (10) Reasonably possible changes at December 31, 2022 and 2021 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, 2022				
Effects to present value of defined benefit obligation	(\$ 2,253)	\$ 2,347	\$ 2,326	(\$ 2,245)
December 31, 2021				
Effects to present value of defined benefit obligation	(\$ 3,207)	\$ 3,345	\$ 3,293	(\$ 3,175)

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 2023 are \$2,320 thousand and \$1,426 thousand, respectively.

2. Defined contribution plan

- (1) The employee pension plan under the “Labor Pension Act” is a defined contribution plan applicable to employees holding R.O.C. citizenship. Pursuant to the plan, to the portion of applicable labor pensions chosen under the Act by the employees, the Company 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 additional statutory or presumed obligation to make additional payment after the Company and its domestic subsidiaries make the fixed amounts of monthly contributions to the Bureau of Labor Insurance.
- (2) In accordance with the local government regulations, the Group’s overseas subsidiaries pay pension insurance premiums or make pension contributions based on the local employees’ salaries. The pensions of each employee are organized and managed by the governments, and the overseas subsidiaries does not have further obligation except for making the monthly or annual contributions or payments according to the local government regulations.
- (3) According to the above defined contribution plan, the Group had recorded \$32,436 thousand and \$31,359 thousand of pension expense in 2022 and 2021, respectively ; as of December 31, 2022 and 2021, according to the above defined contribution plan, the Company had recognized \$5,440 thousand and \$5,395 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	2022	2021
Operating cost	\$ 27, 049	\$ 26, 275
Operating expense		
Sales expense	1, 776	1, 747
Administration expense	2, 306	2, 093
R&D expense	1, 305	1, 244
Subtotal	5, 387	5, 084
Total	\$ 32, 436	\$ 31, 359

6.25 Guarantee deposits received

Item	December 31, 2022	December 31, 2021
Rental deposits – rent out	\$ 22, 594	\$ 22, 614
Others	700	550
Total	<u>\$ 23, 294</u>	<u>\$ 23, 164</u>

6.26 Share capital

Item	December 31, 2022	December 31, 2021
Authorized number of shares (thousands of shares)	800, 000	800, 000
Authorized capital	\$ 8, 000, 000	\$ 8, 000, 000
Issued shares with proceeds fully received (thousands of shares)	531, 688	531, 688
Raised capital	\$ 5, 316, 884	\$ 5, 316, 884

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 6.30-2 for details.

6.27 Capital surplus

Item	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 210, 318	\$ 210, 318
Surplus from treasury stock transactions	188, 021	188, 021
Uncollected overdue dividends by shareholders	794	496
Total	<u>\$ 399, 133</u>	<u>\$ 398, 835</u>

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.

6.28 Retained earnings

- 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.
- The Company's dividend policy is as following :
The Company shall consider changes in business environment, considers future operating funds required from life cycles of various products and services and the effects of tax rules, in the goal of sustaining stable dividend distributions, dividends are distributed according to the set ratios under the corporate charter. After measuring the required funds in future years, profitability, financial structure, and dilution effects on shares, and other factors, the Board of Directors develops an appropriate ratio of dividends in cash and in stocks and submits for approval at the shareholders' meeting. The Company would distribute cash dividends as priority. If there are major investment plans or needs for improving financial structure, part of dividends would be distributed in stocks. In order to avoid over-inflation of share capital and affect the level of dividend distribution in future years, 0%~60% of the Company's distributable current-year earnings are appropriated as dividends.
- 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.
- Upon earnings distribution, in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1090150022, dated March 31, 2021 and regulations under "Q&A on Recording Special Reserve After Adopting IFRSs", the Company shall set aside or reverse special reserve. When the net deduction item on other equity later is reversed, the reversed amount could be included in the distributable earnings.
- The appropriations of 2021 and 2020 earnings have been approved by the shareholders in its meetings on June 8, 2022 and July 23, 2021, respectively. The appropriations and dividends per share were as follows :

Distribution item	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2021	For Fiscal Year 2020	For Fiscal Year 2021	For Fiscal Year 2020
Record legal reserve	\$91, 972	\$ -	\$ -	\$ -
Record (reverse) special reserve	-	-	-	-
Cash dividends	425, 351	53, 169	0. 80	0. 10
Stock dividends	-	-	-	-

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

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

6. The appropriation of earnings for 2022 had been proposed by the board of directors on March 10, 2023, in which no stock dividends are planned to be distributed ; instead, cash dividend of NT\$0.1 per share are planned to be distributed from capital surplus - additional paid-in capital in excess of par- common stock, totaled \$53,169 thousand of cash dividend. The aforementioned appropriation of earnings and the distribution of cash from capital surplus for 2022 are subject to the resolution of the shareholders' meeting scheduled to be held on June 9, 2023.

6.29 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, 2022	(\$ 270)	\$ 60,167	\$ 59,897
Directly Recognized as other equity adjustment items	(154)	(18,529)	(18,683)
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, 2022	(\$ 424)	\$ 41,638	\$ 41,214

Item	Exchange differences from translation of foreign operations	Unrealized gains or losses for financial assets measured at FVTOCI	Total
Balance, January 1, 2021	(\$ 219)	\$ 26,357	\$ 26,138
Directly recognized as other equity adjustment items	(51)	33,810	33,759
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, 2021	(\$ 270)	\$ 60,167	\$ 59,897

6.30 Treasury shares

- Reason for redemption of shares and the changes are summarized as following :
(January 1 to December 31, 2022 : None)

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

- 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. 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, the buy-back plan was not fully carried out, only 18,313 thousand shares were bought back from the stock exchange market, with buy-back cost totaled \$170,569 thousand. The 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), with the related business registrations completed. Upon cancellation of the treasury shares, the difference of carrying value of the treasury shares over the par value of the cancelled shares, which totaled \$12,561 thousand, was recorded as Capital surplus – premium on treasury-share transactions.
- According to the 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.
- According to the 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.
- 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.

6.31 Operating revenue

Item	2022	2021
Revenue from contracts with customers		
Sales revenue	\$ 9,294,302	\$ 11,183,844
Service revenue	7,143	34,669
Net amount	<u>\$ 9,301,445</u>	<u>\$ 11,218,513</u>

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	2022	2021
Sales revenue		
Textured yarn	\$ 3,184,272	\$ 3,576,646
Polyester yarn	13,321	11,644
Nylon fiber	1,341,945	1,690,481
Nylon chips	4,093,385	5,132,088
Composite materials	650,722	766,583
Trading of raw materials	10,657	6,402
Subtotal	<u>9,294,302</u>	<u>11,183,844</u>
Service revenue		
Revenue from outsourced manufacturing	7,143	34,669
Subtotal	<u>7,143</u>	<u>34,669</u>
Total	<u>\$ 9,301,445</u>	<u>\$ 11,218,513</u>

2. Contract balance

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

Item	December 31, 2022	December 31, 2021
Contractual assets : None		
Contractual liabilities - current		
Sale of goods	<u>\$ 75,418</u>	<u>\$ 54,457</u>

(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, 2022, the balance of contract liabilities increased compared to

last year mainly because the recession of the industry, leading to high inventory level in the downstream segments and decrease in confirmed sales volumes. As a result, the contract liability balance at the end of the period increased due to the decrease in income carried forward from the advance receipt of consideration from contract customers.

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

Item	2022	2021
Beginning balance of contractual liabilities that are recorded as revenue in this period		
Sale of goods	\$ 45,976	\$ 76,327

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

In 2022 and 2021, 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, 2022 and 2021, 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

6.32 Interest income

Item	2022	2021
Interest on bank deposits	\$ 520	\$ 116

6.33 Other income

Item	2022	2021
Dividends income	\$ 82,022	\$ 37,059
Rental income	76,503	74,655
Subsidy income	2,800	98
Income from scrap sales	16,433	14,374
Income from sample sales	3,383	3,386
Income from recovery of packaging materials	2,228	2,604
Income from sale of renewable energy	15,979	14,796
Net income from water testing	–	1,627
Others	2,459	2,074
Total	\$ 201,807	\$ 150,673

6.34 Other gains and losses

Item	2022	2021
Net gains (losses) on financial liabilities at FVTPL	(\$ 212, 899)	\$ 62, 183
Gains (losses) on disposal of property, plant and equipment	22, 291	(33)
Loss on disposal of investments	(89, 986)	190, 076
Net non-financial foreign currency exchange gains (losses)	65, 118	(10, 349)
Direct operating expenses of investment properties	(12, 783)	(12, 503)
Depreciation of renewable energy equipment	(4, 928)	(4, 126)
Others	(482)	(304)
Total	(\$ 233, 669)	\$ 224, 944

6.35 Financial cost

Item	2022	2021
Interest expense		
Interest on borrowing from financial institutions	\$ 18, 859	\$ 12, 194
Imputed interest on deposits	91	92
Interest on lease liabilities	978	1, 107
Other	779	513
Subtotal	20, 707	13, 906
Fees related to issuing CP	492	1, 091
Net financial foreign currency exchange (gains) losses	(11, 754)	4, 154
Less : Capitalized amount	–	–
Total	\$ 9, 445	\$ 19, 151

6.36 Employee benefits, depreciation and amortization expense

By nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	\$ 688,120	\$120,694	\$ 808,814	\$ 714,449	\$158,935	\$ 873,384
Labor and health insurance	65,910	14,837	80,747	64,496	12,708	77,204
Pension expense	25,060	5,150	30,210	24,542	4,831	29,373
Other benefits	29,949	6,523	36,472	23,712	60,194	83,906
Depreciation (Note)	377,654	15,971	393,625	437,358	16,289	453,647
Amortization expense	31,002	1,494	32,496	25,417	1,720	27,137
Total	<u>\$1,217,695</u>	<u>\$164,669</u>	<u>\$1,382,364</u>	<u>\$1,289,974</u>	<u>\$254,677</u>	<u>\$1,544,651</u>

Note : The depreciation expenses for renewable energy equipment (recorded in property, plant and equipment) in 2022 and 2021 were \$4,928 thousand and \$4,126 thousand, respectively, and recorded as non-operating income and expenses – other ; the depreciation expenses of investment properties in 2022 and 2021 were \$5,154 thousand and \$5,146 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' remuneration. For 2022, since the Company had net loss before tax, therefore, no compensation to employees or to directors' and supervisors' remuneration were estimated. For 2021, the Company estimates \$21,149 thousand of compensation to employees and \$31,723 thousand of directors' and supervisors' remuneration. 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 10, 2023 and March 11, 2022, the Company's board of directors had passed resolution to distribute NT\$0 and \$21,149 thousand of compensation to employees for 2022 and 2021, respectively ; \$0 and \$31,723 thousand of remuneration to directors and supervisors for 2022 and 2021, respectively. The aforementioned distribution amounts are not different from those estimated in 2022 and 2021 financial statements, and the compensation and remuneration will be distributed in cash.
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.

6.37 Changes in liabilities from financing activities

Item	Short-term borrowings	Short-term notes payable	Lease liabilities	Guarantee deposits received
Balance, January 1, 2022	\$ 1,260,000	\$ 499,845	\$ 76,591	\$ 23,164
Net changes in financing cash flows	219,900	(450,000)	(13,090)	130
Noncash changes – lease addition/remeasurement	–	–	1,881	–
Noncash changes - note discounts	–	118	–	–
Noncash changes - foreign exchange effect	–	–	6	–
December 31, 2022	<u>\$ 1,479,900</u>	<u>\$ 49,963</u>	<u>\$ 65,388</u>	<u>\$ 23,294</u>

Item	Short-term borrowings	Short-term notes payable	Lease liabilities	Guarantee deposits received
Balance, January 1, 2021	\$ 710,000	\$ 449,934	\$ 80,000	\$ 23,164
Net changes in financing cash flows	550,000	50,000	(12,952)	–
Noncash changes – lease addition/remeasurement	–	–	9,548	–
Noncash changes - note discounts	–	(89)	–	–
Noncash changes - foreign exchange effect	–	–	(5)	–
December 31, 2021	<u>\$ 1,260,000</u>	<u>\$ 499,845</u>	<u>\$ 76,591</u>	<u>\$ 23,164</u>

6.38 Income tax

1. Components of income tax expense (benefit):

(1) Income tax expense recognized in profit or loss

Item	2022	2021
Current income tax	\$ 50	\$ 31,567
Deferred income tax expense (benefit)		
Initial occurrence and reversals of temporarily differences	(3,804)	52,833
Net (increase) decrease in deferred income tax	(3,804)	52,833
Adjustments in respect of prior years	(449)	–
Income tax expense (benefit) recognized in profit or loss	(\$ 4,203)	\$ 84,400

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

Item	2022	2021
Deferred income tax		
Re-measurement of defined benefit plan	\$ 1,148	(\$ 88)
Income tax expense (benefit) recognized in other comprehensive income	\$ 1,148	(\$ 88)

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

Item	2022	2021
Income (loss) before tax for continuing operations	(\$ 285,997)	\$ 1,004,477
Income tax expense (benefit) at the statutory tax rate	(57,199)	200,895
Income tax effects from adjustment items :		
Items excluded when determining taxable income	57,029	(45,106)
Additional tax under minimum tax system	23	4,035
Additional income tax on unappropriated earnings	126	–
Operating loss carryforward generated	20	11
Operating loss carryforward used	–	(119,220)
Investment deduction utilized	(126)	(9,208)
Effects from different tax rates of the consolidated entities	177	160
Income tax payable in the current period	50	31,567
Net (increase) decrease in deferred income tax	(3,804)	52,833
Income tax adjustments for prior years	(449)	–
Income tax expense (benefit) recorded in profit or loss	(\$ 4,203)	\$ 84,400

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, 2022	December 31, 2021
Income tax assets in the current period		
Prepaid income tax	\$ 6	\$ 29
Income tax liabilities in the current period		
Current-period income tax expense	\$ 50	\$ 31,567
Less : Offset by prepaid income tax	(41)	(60)
Total	\$ 9	\$ 31,507

4. Balance of deferred income tax assets (liabilities)

Item	2022			
	January 1	Profit or loss	Other comprehensive income	December 31
Deferred income tax assets				
Loss on market price decline and obsolete/slow-moving inventories	\$ 23,738	\$ 13,296	\$ –	\$ 37,034
Unrealized exchange loss	3	(3)	–	–
Unrealized gain from sale	197	(145)	–	52
Accrued vacation pays	5,114	466	–	5,580
Defined benefit obligation plan	19,677	(4,843)	(1,148)	13,686
Different treatments on depreciation between financial and tax	26,928	(4,838)	–	22,090
Impairment loss on tangible assets	435	–	–	435
Total	\$ 76,092	3,933	(1,148)	\$ 78,877
Deferred tax liabilities				
Unrealized gain on foreign currency exchange	\$ –	129	–	\$ 129
Reserve for Land Value Increment Tax	137,395	–	–	137,395
Total	\$ 137,395	129	–	\$ 137,524
Net increase (decrease)		\$ 3,804	(\$ 1,148)	

Item	2021			
	January 1	Profit or loss	Other comprehensive income	December 31
Deferred income tax assets				
Loss on market price decline and obsolete/slow-moving inventories	\$ 13,868	\$ 9,870	\$ –	\$ 23,738
Unrealized exchange loss	364	(361)	–	3
Unrealized gain from sale	44	153	–	197
Accrued vacation pays	4,914	200	–	5,114
Defined benefit obligation plan	21,283	(1,694)	88	19,677
Different treatments on depreciation between financial and tax	22,718	4,210	–	26,928
Impairment loss on tangible assets	435	–	–	435
Operating loss carryover (Note)	65,211	(65,211)	–	–
Total	<u>\$ 128,837</u>	<u>(52,833)</u>	<u>88</u>	<u>\$ 76,092</u>
Deferred tax liabilities				
Reserve for Land Value Increment Tax	\$ 137,395	–	–	\$ 137,395
Total	<u>\$ 137,395</u>	<u>–</u>	<u>–</u>	<u>\$ 137,395</u>
Net increase (decrease)		<u>(\$ 52,833)</u>	<u>\$ 88</u>	

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

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

Item	December 31, 2022	December 31, 2021
Deferred income tax assets		
Operating loss carryover	\$ 209	\$ 189
Investment Tax Credit	2,074	5,588
Total	<u>\$ 2,283</u>	<u>\$ 5,777</u>

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, 2022 and 2021, the un-recognized taxable temporary differences related to investments were \$2,063 thousand and \$1,753 thousand, respectively.

7. As of December 31, 2022, 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 :

(1) Unutilized operating loss carryover :

Last deductible year	Recorded operating loss carryover	Nonrecorded operating loss carryover	Total
2024	\$ -	\$ 16	\$ 16
2025	-	47	47
2026	-	69	69
2027	-	17	17
2028	-	9	9
2029	-	19	19
2030	-	1	1
2031	-	11	11
2032	-	20	20
Total	\$ -	\$ 209	\$ 209

(2) Unutilized investment tax credit :

Final creditable year	Legal basis	Deduction item	Balance of unrecognized tax credit
2023	Article 10 of Statute for Industrial Innovation	Research and development expense	\$ 2, 074

8. The Group's domestic income tax returns through 2020 had been assessed and approved by the tax authority.
9. Since the Group had net loss in 2022, 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.

	2022			2021		
	After-tax amount	Weighted average number of shares outstanding for the period (in thousands)	Basic earnings per share, after tax (in dollars)	After-tax amount	Weighted average number of shares outstanding for the period (in thousands)	Basic earnings per share, after tax (in dollars)
Basic earnings (loss) per share :						
Net income (loss) attributable to owners of parent company	(\$ 281,794)	531,688	(\$ 0.53)	\$ 920,077	531,718	\$ 1.73
Effects from potential diluting common shares						
Employees compensation				–	1,286	
Diluted earnings per share :						
Net income (loss) attributable to owners of parent company						
After effects from potential diluting common shares				\$ 920,077	533,004	\$ 1.73

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	2022	2021
Company that key management has significant influence	\$ 264,362	\$ 265,355

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	2022	2021
Company that key management has significant influence	\$ 989	\$ 1,083

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, 2022	December 31, 2021
Su, Liao Hsiu Chin and 2 other individuals	\$ 32,523	\$ 35,479

(2) Lease liabilities - current

Related party category	December 31, 2022	December 31, 2021
Su, Liao Hsiu Chin and 2 other individuals	\$ 2,824	\$ 2,784

(3) Lease liabilities - noncurrent

Related party category	December 31, 2022	December 31, 2021
Su, Liao Hsiu Chin and 2 other individuals	\$ 30,540	\$ 33,363

(4) Interest expense

Related party category	December 31, 2022	December 31, 2021
Su, Liao Hsiu Chin and 2 other individuals	\$ 513	\$ 552

(5) In 2022 and 2021, the total amount of rents that the Group had paid to Su, Liao Hsiu Chin and 2 other individuals were \$3,298 thousand for both of the years.

(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, 2022	December 31, 2021
Company that key management has significant influence	\$ 32, 714	\$ 41, 820

(2) Accounts payable

Related party category	December 31, 2022	December 31, 2021
Company that key management has significant influence	\$ 39	\$ 82

5. Others

Item	Related party category	2022	2021
Sale of defect products	Company that key management has significant influence	\$ 1, 076	\$ 697
Purchase of leftover yarn and empty tubes	Company that key management has significant influence	1, 031	1, 161

7.4Key management compensation

Item	2022	2021
Salaries and other short-term employee benefits	\$ 33, 816	\$ 87, 350
Termination benefits	–	–
Post-employment benefits	72	40
Other long-term benefits	–	–
Share-based payments	–	–
Total	\$ 33, 888	\$ 87, 390

8. Pledged Assets : None

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

9.1 Endorsements and guarantees : None

9.2 Guarantee notes issued

As of December 31, 2022 and 2021, due to entering of comprehensive credit contracts, the Group had issued \$900,000 and \$800,000 thousand, respectively, of guarantee notes to the financial institutions.

9.3 Guarantee notes received

To ensure collectability for contracts signed, equipment warranty and guarantees for sales contracts, the Group received guarantee notes of \$693,412 thousand and \$576,045 thousand as of December 31, 2022 and 2021, respectively.

9.4 The Group's issued but unused letters of credit as of December 31, 2022 and 2021 are as follows : (Units : Thousand dollars)

Date	Balances of issued yet unused letters of credit
December 31, 2022	NTD37,000 、EUR807 、USD4,537 、CNY24,000 、JPY42,500
December 31, 2021	NTD394,000 、EUR609 、USD14,694

9.5 Significant capital expenditures on property, plant and equipment, etc., committed but not yet paid as of December 31, 2022 and 2021 were NTD\$429,768 thousand and NTD\$29,900 thousand, respectively.

10. Significant Disaster Losses : None

11. Significant Subsequent Events : None

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, 2022	December 31, 2021
FVTPL financial assets		
Mandatorily measured at FVTPL	\$ 585, 649	\$ 916, 107
FVTOCI financial assets		
Investments in equity instruments	195, 288	246, 998
Financial assets measured at amortized cost		
Cash and cash equivalents	85, 324	71, 448
Notes and accounts receivable (including related parties)	824, 764	1, 607, 436
Other receivables	2, 252	7, 513
Refundable deposits paid	22, 967	23, 479

Financial liabilities

Financial liabilities measured at FVTPL

Mandatorily measured at FVTPL	–	1, 526
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Financial liabilities measured at amortized cost

Short-term borrowings	1, 479, 900	1, 260, 000
Short-term notes payable	49, 963	499, 845
Notes and accounts payable (including related parties)	384, 008	842, 058
Other payables (including related parties)	274, 221	409, 008
Lease liabilities – current and noncurrent	65, 388	76, 591
Guarantee deposits received	23, 294	23, 164

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, 2022			December 31, 2021		
	Amount in Foreign Currency	Exchange Rate	In NTD	Amount in Foreign Currency	Exchange Rate	In NTD
Financial assets						
Monetary items						
USD : NTD	\$ 8,864	30.71	\$ 272,213	\$ 18,414	27.68	\$ 509,700
CNY : NTD	4,244	4.4080	18,708	4,234	4.3440	18,392
Financial liabilities						
Monetary items						
USD : NTD	4,588	30.71	140,897	11,238	27.68	311,068

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 2022 and 2021 would increase/decrease by \$1,200 thousand and \$1,736 thousand, respectively. 1% is the sensitivity ratio used for the Group's internal reporting on foreign exchange risks to key management, it also represents the management's assessment on the reasonable range of potential changes in foreign exchange rates.

The unrealized net exchange gain (loss) arising from significant foreign exchange movement on the monetary items held by the Group for 2022 and 2021 amounted to \$643 thousand and (\$16) thousand, respectively. Due to complexity and large volume of transaction in foreign currencies, the unrealized exchange gain (loss) is expressed in summarized amounts.

B. Interest rate risk

Interest rate risk is the risk of fluctuations in fair value of financial instruments or in future cash flows due to changes in market interest rates. The 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 \$1,372 thousand and \$1,284 thousand for 2022 and 2021, 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 2022 and 2021 would have increased/decreased by \$5,856 thousand and \$9,146 thousand, respectively ; Equity would have increased/decreased by \$1,953 thousand and \$2,470 thousand, respectively.

(2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 for accounts receivable and movements of loss allowance, please refer to Note 6.3 and 6.4 for details.

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, 2022		December 31, 2021	
	Carrying amount	Maximum amount exposed to credit risk	Carrying amount	Maximum amount exposed to credit risk
Cash and cash equivalents	\$ 85,324	\$ 85,324	\$ 71,448	\$ 71,448
Notes receivable	128,376	128,376	269,770	269,770
Accounts receivable (including related parties)	696,388	696,388	1,337,666	1,337,666
Other receivables	2,252	2,252	7,513	7,513

(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, 2022						Contractual cash flows	Carrying amount
	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years			
Non-derivative financial liabilities								
Short-term borrowings	\$ 710, 979	\$783, 193	\$ -	\$ -	\$ -	\$1, 494, 172	\$1, 479, 900	
Short-term notes payable	50, 000	-	-	-	-	50, 000	49, 963	
Notes payable	166, 516	-	-	-	-	166, 516	166, 516	
Accounts payable (including related parties)	217, 492	-	-	-	-	217, 492	217, 492	
Other payables	274, 221	-	-	-	-	274, 221	274, 221	

Item	December 31, 2021						Contractual cash flows	Carrying amount
	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years			
Non-derivative financial liabilities								
Short-term borrowings	\$ 914, 464	\$351, 240	\$ -	\$ -	\$ -	\$1, 265, 704	\$1, 260, 000	
Short-term notes payable	500, 000	-	-	-	-	500, 000	499, 845	
Notes payable	217, 881	-	-	-	-	217, 881	217, 881	
Accounts payable (including related parties)	624, 177	-	-	-	-	624, 177	624, 177	
Other payables	409, 008	-	-	-	-	409, 008	409, 008	

Derivative financial
liabilities

Foreign exchange forward
contract

Outflows	1, 526	-	-	-	-	1, 526	1, 526
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12.4 Fair value information

1. Fair value levels

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

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

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

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

2. Financial instruments that are not measured at fair value

The book value of the 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, 2022 and 2021, the Group classifies the assets and liabilities based on their nature, characteristics, level of risks and fair value :

Financial and non-financial instruments	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
FVTPL financial assets- current				
Listed stocks	\$ 585, 178	\$ -	\$ -	\$ 585, 178
Derivative instruments – forward exchange contracts	-	471	-	471
Financial assets measured at FVTOCI – noncurrent				
Non-listed stocks and limited partnership	-	-	195, 288	195, 288
Total	<u>\$ 585, 178</u>	<u>\$ 471</u>	<u>\$ 195, 288</u>	<u>\$ 780, 937</u>

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

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. 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 2022 and 2021 :
None

6. Changes in Level 3 financial instruments for 2022 and 2021

Item	Non-derivative equity instruments – unlisted stocks	
	2022	2021
Beginning balance	\$ 246, 998	\$ 208, 709
Acquisition in this period	–	13, 200
Disposition in this period	–	–
Funds returned from capital reduction in this period	(32, 971)	(8, 721)
Capital distribution in this period	(210)	–
Transfer in (out) Level 3	–	–
Recognized in other comprehensive income	(18, 529)	33, 810
Ending balance	\$ 195, 288	\$ 246, 998

7. In 2022 and 2021, 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, 2022	Valuation technique	Material unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments :					
Un-listed stocks	\$ 156, 166	Market approach	Liquidation discount	25%	higher liquidation discount, lower fair value results
Venture capital stocks and limited partnership	39, 122	Asset approach	NA	NA	NA
Total	\$ 195, 288				

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

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 :

			2022						
Item	Input value	Change	Recognized in profit or loss		Recognized in other comprehensive income				
			Favorable change	Unfavorable change	Favorable change	Unfavorable change			
Non-derivative equity instruments :									
Un-listed stocks	Liquidation discount	+1%	\$	–	\$	–	\$	–	(\$ 2, 059)
		-1%	\$	–	\$	–	\$ 2, 059	\$	–

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

13. Supplementary disclosures

(1) Information on significant transactions, and (2) Information on investees (before consolidation eliminations)

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	End of the period			
					Number of shares/units	Book value	Ownership (%)	Fair value
ZIG SHENG INDUSTRIAL CO., LTD.	Stock	Shinkong Synthetic Fibers Corporation	—	Financial assets measured at FVTPL - current	599	10,512	0.04	10,512
		TAINAN SPINNING CO., LTD.	—	Financial assets measured at FVTPL - current	1,040	17,472	0.06	17,472
		YI JINN INDUSTRIAL CO., LTD.	—	Financial assets measured at FVTPL - current	6,911	129,236	2.29	129,236
		LAN FA TEXTILE CO., LTD.	—	Financial assets measured at FVTPL - current	677	5,578	0.19	5,578
		DE LICACY INDUSTRIAL CO., LTD.	—	Financial assets measured at FVTPL - current	1,903	26,744	0.50	26,744
		ECLAT TEXTILE CO., LTD.	—	Financial assets measured at FVTPL - current	303	149,951	0.11	149,951
		TSRC Corporation	—	Financial assets measured at FVTPL - current	400	10,820	0.05	10,820
		NANYA TECHNOLOGY CORPORATION	—	Financial assets measured at FVTPL - current	60	3,072	—	3,072
		EVERGREEN MARINE CORPORATION (TAIWAN) LTD.	—	Financial assets measured at FVTPL - current	1,000	163,000	0.05	163,000
		CHINA AIRLINES LTD.	—	Financial assets measured at FVTPL - current	1,000	19,000	0.02	19,000
		WAN HAI LINES LTD.	—	Financial assets measured at FVTPL - current	33	2,643	—	2,643
		EVA AIRWAYS CORPORATION	—	Financial assets measured at FVTPL - current	97	2,731	—	2,731
		Capital Securities Corporation	—	Financial assets measured at FVTPL - current	600	6,510	0.03	6,510
		NAN YA PRINTED CIRCUIT BOARD CORPORATION	—	Financial assets measured at FVTPL - current	167	37,909	0.03	37,909
		LILYENT CORP.	—	Financial assets measured at FVTOCI - noncurrent	2,881	62,724	4.01	62,724
		Yen Hsing Textile Co., Ltd.	The Company is the director of the company	Financial assets measured at FVTOCI - noncurrent	6,985	64,615	13.99	64,615
		YI TONG FIBER CO., LTD	—	Financial assets measured at FVTOCI - noncurrent	671	27,578	1.52	27,578
		CHU SING INDUSTRIAL CO., LTD	—	Financial assets measured at FVTOCI - noncurrent	29	1,249	3.32	1,249
		Ability I Venture Capital Corp.	The Company is the supervisor of the company	Financial assets measured at FVTOCI - noncurrent	943	6,063	3.00	6,063
		ABILITY ASIA CAPITAL CORP.	The Company is the supervisor of the company	Financial assets measured at FVTOCI - noncurrent	1,600	18,464	1.04	18,464
	Limited partnership	Ability Asia Capital II Outstanding Transformation Growth Limited Partnership	—	Financial assets measured at FVTOCI - noncurrent	—	14,595	—	14,595

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	\$264,362	2.85%	15 days after month closing	No significant difference	No significant difference	Accounts receivable \$32,714	Accounts receivable 4.60%

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 end of period			Net income (losses) of the investee	Share of profits/losses of investee (Note)	Footnote
				End of period	End of last year	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 region following the Parent company's operating policies	\$185,020	\$185,020	5,400	100%	–	–	–	Please refer to Note 6.10 for details
	Nicest Int'L Trading Corp.	Samoa	Make various investments outside of Taiwan region following the Parent company's operating policies	8,883	8,883	300	100%	\$19,199	\$ 986	\$ 889	Include \$97 thousand of 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 international trading	15,000	15,000	1,500	100%	2,390	(1,255)	(1,304)	Include \$49 thousand of 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%	(4,922)	(1,155)	(1,155)	

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	\$ 40,373	Per agreement based on general market price	0.43%
			Accounts receivable	18,703	T/T 90 days settled monthly	0.20%
			Other income	9,425	Per agreement based on general market price	0.10%
			Realized sales gains	479	-	0.01%
			Unrealized sales gains	90	-	—
	Ding Sheng Material Technology Corporation Limited	Parent to subsidiary	Rental income	96	Per agreed contract	—
	Ding Sheng Material Technology Corporation	Parent to subsidiary	Sales revenue	16,694	Per agreement based on general market price	0.18%
			Accounts receivable	15,362	T/T 180 days settled monthly	0.17%
			Realized sales gains	891	-	0.01%
			Unrealized sales gains	331	-	—
Suzhou Hongsheng Trading Co., Ltd.	Zig Sheng Industrial Co., Ltd.	Subsidiary to parent	Sales revenue	78	Per agreement based on general market price	—
			Other income	469	Per agreement based on general market price	0.01%
			Other receivables	78	T/T 90 days settled monthly	—
Ding Sheng Material Technology Corporation	Zig Sheng Industrial Co., Ltd.	Subsidiary to parent	Other income	21	Per agreement based on general market price	—
			Other receivables	21	T/T 90 days settled monthly	—

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.	Warehouse rental business	USD24,782	Note (1)	\$185,020 (USD5,400)	—	—	\$185,020 (USD5,400)	(\$196,564)	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)	986	100.00%	\$986 Note (2)	\$19,266 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)	\$3,953,623

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

2022.12.31

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

- Note : 1. The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered (including treasury shares) with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.
2. If the above data relate trusted shares by shareholders, the principals are separately disclosed based on the trust accounts opened by the trustees. As to filings by internal shareholders with over 10% holding percentage according Securities and Exchange Act regulations, there the shares include shares held by principals and trusted shares with controlling power retained, please refer to Market Observation Post System.

14. Segment Information

(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, 2022

	Fiber Business Division	Chemical Materials Business Division	Other Divisions	Adjustment and write-offs	Total
Revenue					
From outside customers	\$ 4,547,842	\$ 4,668,668	\$ 84,935	\$ –	\$ 9,301,445
Revenue among segments	–	2,343,681	78	(2,343,759)	–
Total revenue	\$ 4,547,842	\$ 7,012,349	\$ 85,013	(\$ 2,343,759)	\$ 9,301,445
Segment profit (loss)	(\$ 28,923)	(\$ 228,007)	(\$ 505)	\$ 12,225	(\$ 245,210)
Non-operating income and expenses					(40,787)
Before-tax income (loss) from continuing operations					(\$ 285,997)
Segment profit (loss) includes :					
Depreciation and amortization	\$ 238,069	\$ 91,254	\$ 1,388	\$ 95,410	\$ 426,121
Segment assets	\$ –	\$ –	\$ –	\$ 9,182,843	\$ 9,182,843
Segment liabilities	\$ –	\$ –	\$ –	\$ 2,593,471	\$ 2,593,471

2. For the year ended December 31, 2021

	Fiber Business Division	Chemical Materials Business Division	Other Divisions	Adjustment and write-offs	Total
Revenue					
From outside customers	\$ 5,308,339	\$ 5,800,786	\$ 109,388	\$ –	\$11,218,513
Revenue among segments	–	2,685,421	76	(2,685,497)	–
Total revenue	\$ 5,308,339	\$ 8,486,207	\$ 109,464	(\$ 2,685,497)	\$11,218,513
Segment profit (loss)	\$ 438,596	\$ 200,477	\$ 2,661	\$ 6,161	\$ 647,895
Non-operating income and expenses					356,582
Before-tax income (loss) from continuing operations					\$ 1,004,477
Segment profit (loss) includes :					
Depreciation and amortization	\$ 244,480	\$ 143,176	\$ 1,351	\$ 91,777	\$ 480,784
Segment assets	\$ –	\$ –	\$ –	\$10,776,815	\$10,776,815
Segment liabilities	\$ –	\$ –	\$ –	\$ 3,466,505	\$ 3,466,505

3. Explanation for adjustments (reconciliations) 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 adjustments (reconciliations) and write-offs.

(6) Information by Products

Item	For the year ended December 31, 2022	For the year ended December 31, 2021
Textured yarn	\$ 3, 184, 272	\$ 3, 576, 646
Polyester yarn	13, 321	11, 644
Nylon fiber	1, 341, 945	1, 690, 481
Nylon chips	4, 093, 385	5, 132, 088
Composite materials	650, 722	766, 583
Trading of raw materials	10, 657	6, 402
Revenue from outsourced manufacturing	7, 143	34, 669
Total	<u>\$ 9, 301, 445</u>	<u>\$ 11, 218, 513</u>

(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, theregional information is hereby listed as below :

By region	Revenue from outside customers		Noncurrent assets	
	Year of 2022	Year of 2021	December 31, 2022	December 31, 2021
Taiwan	\$ 5, 297, 544	\$ 6, 596, 152	\$ 5, 456, 511	\$ 5, 555, 226
Mainland China	322, 313	457, 591	244	712
Asia	3, 370, 208	3, 967, 922	–	–
Americas	163, 764	99, 276	52	65
Africa	77, 368	71, 107	–	–
Europe	47, 681	8, 770	–	–
Oceania	22, 567	17, 695	–	–
Total	<u>\$ 9, 301, 445</u>	<u>\$11, 218, 513</u>	<u>\$ 5, 456, 807</u>	<u>\$ 5, 556, 003</u>

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 2022 and 2021, customers that accounts for 10% or more of the total consolidated revenue of the Group are as follow :

1. 2022

Customer	Amount	Percentage of consolidated net operating revenues	Responsible reportable department
TO017	\$ 1, 247, 494	13. 41%	Chemical Materials Business Division

2. 2021 : None.