

**FORMOSA TAFFETA CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Formosa Taffeta Co., Ltd.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Formosa Taffeta Co., Ltd. (the "Company") as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

### **Valuation of allowance for uncollectible accounts**

#### Description

Refer to Note 4(9) for accounting policy on financial assets impairment, Note 5(1) for accounting estimates and assumption uncertainty in relation to accounts receivable, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2021, the Company's accounts receivable amounted to NT\$2,069,651 thousand, net of allowance for bad debts amounting to NT\$31,678 thousand.

The Company assesses the collectibility of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Company recognizes impairment with a credit to accounts receivable. The Company examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we considered the valuation of allowance for uncollectible accounts a key audit matter.

#### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for uncollectible accounts included:

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward-looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and
- C. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

## **Valuation of inventory**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2021, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$4,842,351 thousand and NT\$450,258 thousand, respectively.

The Company is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Company recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we considered the valuation of inventory a key audit matter.

### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation losses included:

- A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;
- B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and
- C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

### ***Other matter - audits of the other independent auditors***

We did not audit the financial statements of certain investments accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$7,972,893 thousand and NT\$6,474,030 thousand, constituting 10% and 9% of total assets as of December 31, 2021 and 2020, respectively, and comprehensive income was NT\$749,957 thousand and NT\$137,161 thousand, constituting 31% and 9% of total comprehensive income for the years then ended, respectively. The financial statements of these investees were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements relative to these investees is based solely on the audit reports of the other independent auditors.

### ***Responsibilities of management and those charged with governance for the financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Company’s financial reporting process.

### ***Auditors’ responsibilities for the audit of the parent company only financial statements***

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

be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2022

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,383,268	3	\$ 1,901,429	3
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	82	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,489,451	2	1,409,817	2
1150	Notes receivable, net	6(4)	57,955	-	43,015	-
1160	Notes receivable - related parties	7	8,506	-	4,260	-
1170	Accounts receivable, net	6(4)	2,069,651	3	1,834,819	3
1180	Accounts receivable - related parties	7	165,496	-	116,682	-
1200	Other receivables	7	183,517	-	272,070	-
130X	Inventory	6(5)	4,392,093	6	3,837,352	5
1410	Prepayments		153,671	-	117,947	-
1470	Other current assets		154,078	-	246,347	-
11XX	Total current assets		11,057,686	14	9,783,820	13
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	40,512,078	53	40,032,761	54
1550	Investments accounted for using the equity method	6(6)	17,451,181	23	17,146,398	23
1600	Property, plant and equipment	6(7) and 7	6,054,424	8	6,339,354	8
1755	Right-of-use assets	6(8)	744,479	1	717,814	1
1760	Investment property - net	7	485,103	1	514,513	1
1840	Deferred income tax assets	6(25)	71,876	-	103,811	-
1900	Other non-current assets		323,170	-	163,291	-
15XX	Total non-current assets		65,642,311	86	65,017,942	87
1XXX	Total assets		\$ 76,699,997	100	\$ 74,801,762	100

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FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
			Notes	AMOUNT	%	AMOUNT
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 31,236	-	\$ 4,783	-
2110	Short-term notes and bills payable	6(10)	299,941	-	499,979	1
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	137	-
2150	Notes payable		130,690	-	133,496	
2160	Notes payable - related parties	7	318,401	1	127,610	-
2170	Accounts payable		647,539	1	574,179	1
2180	Accounts payable - related parties	7	722,715	1	654,403	1
2200	Other payables	7	818,631	1	792,704	1
2230	Current income tax liabilities	6(25)	145,112	-	62,389	-
2280	Current lease liabilities		80,798	-	99,484	-
2300	Other current liabilities		137,162	-	124,104	-
21XX	Total current liabilities		3,332,225	4	3,073,268	4
Non-current liabilities						
2540	Long-term borrowings	6(12)	9,700,000	13	8,900,000	12
2570	Deferred income tax liabilities	6(25)	349,420	-	399,959	1
2580	Non-current lease liabilities		672,222	1	624,823	1
2600	Other non-current liabilities		402,271	1	320,124	-
25XX	Total non-current liabilities		11,123,913	15	10,244,906	14
2XXX	Total liabilities		14,456,138	19	13,318,174	18
Equity						
	Share capital	6(14)				
3110	Common stock		16,846,646	22	16,846,646	23
	Capital surplus	6(15)				
3200	Capital surplus		1,301,769	2	1,297,081	2
	Retained earnings	6(16)				
3310	Legal reserve		8,772,558	11	8,560,207	11
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		8,349,494	11	8,228,927	11
	Other equity interest	6(17)				
3400	Other equity interest		24,777,878	32	24,355,213	32
3500	Treasury stocks	6(14)	( 19,064)	-	( 19,064)	-
3XXX	Total equity		62,243,859	81	61,483,588	82
	Commitments and contingent liabilities	9				
	Subsequent event	11				
3X2X	Total liabilities and equity		\$ 76,699,997	100	\$ 74,801,762	100

The accompanying notes are an integral part of these parent company only financial statements.

**FORMOSA TAFFETA CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

		Year ended December 31					
			2021		2020		
Items		Notes	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(18) and 7	\$ 24,490,081	100	\$ 21,524,891	100	
5000	Operating costs	6(5)(22)(23) and 7	( 21,640,482)	( 89)	( 19,420,662)	( 90)	
5900	Net operating margin		2,849,599	11	2,104,229	10	
	Operating expenses	6(22)(23) and 7					
6100	Selling expenses		( 1,428,737)	( 6)	( 1,320,790)	( 6)	
6200	General and administrative expenses		( 555,244)	( 2)	( 539,880)	( 3)	
6000	Total operating expenses		( 1,983,981)	( 8)	( 1,860,670)	( 9)	
6900	Operating profit		865,618	3	243,559	1	
	Non-operating income and expenses						
7100	Interest income	6(19)	2,016	-	4,646	-	
7010	Other income	6(20) and 7	516,953	2	1,421,489	7	
7020	Other gains and losses	6(21) and 7	( 174,382)	( 1)	( 96,895)	( 1)	
7050	Finance costs	6(24)	( 80,142)	-	( 73,583)	-	
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	1,136,130	5	691,007	3	
7000	Total non-operating income and expenses		1,400,575	6	1,946,664	9	
7900	Profit before income tax		2,266,193	9	2,190,223	10	
7950	Income tax expense	6(25)	( 123,026)	-	( 94,675)	-	
8200	Profit for the year		\$ 2,143,167	9	\$ 2,095,548	10	
	Other comprehensive income	6(16)					
	Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Actuarial gains (losses) on defined benefit plan		( \$ 137,864)	-	\$ 108,400	1	
8316	Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income	6(3)	558,401	2	( 2,934,649)	( 14)	
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method		73,605	-	2,390,053	11	
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		494,142	2	( 436,196)	( 2)	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences on translation		( 194,287)	( 1)	( 235,984)	( 1)	
8380	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		( 2,774)	-	45,194	-	
8360	Other comprehensive loss that will be reclassified to profit or loss		( 197,061)	( 1)	( 190,790)	( 1)	
8300	Other comprehensive loss for the year		\$ 297,081	1	( \$ 626,986)	( 3)	
8500	Total comprehensive income for the year		\$ 2,440,248	10	\$ 1,468,562	7	
			Before Tax	After Tax	Before Tax	After Tax	
9750	Basic and diluted earnings per share	6(26)	\$ 1.35	\$ 1.27	\$ 1.30	\$ 1.25	
	Assuming shares held by subsidiaries are not deemed as treasury stock:						
	Basic and diluted earnings per share		\$ 1.35	\$ 1.27	\$ 1.30	\$ 1.24	

The accompanying notes are an integral part of these parent company only financial statements.

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Statement of Comprehensive Income and Retained Earnings														

The accompanying notes are an integral part of these parent company only financial statements.

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 2,266,193	\$ 2,190,223
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including depreciation on investment property)	6(7)(22) and 7	808,112	801,082
Interest expense	6(24)	80,142	73,583
Interest income	6(19)	( 2,016 )	( 4,646 )
Dividend income	6(20)	( 280,873 )	( 1,156,765 )
Loss on valuation of financial assets	6(2)(21)	82	37
(Gain) loss on valuation of financial liabilities	6(11)(21)	( 137 )	57
Loss on disposal of investments	6(21)	-	734
Share of profit of associates and joint ventures accounted for using the equity method	6(6)	( 1,136,130 )	( 691,007 )
Gain on disposal and scrap of property, plant and equipment	6(21) and 7	( 154 )	( 36,209 )
Realized gain on disposal and scrap of property, plant and equipment, net	6(21) and 7	( 5,757 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable	(	14,940 )	( 15,616 )
Notes receivable - related parties	(	4,246 )	2,135
Accounts receivable, net	(	234,832 )	( 40,536 )
Accounts receivable - related parties	(	48,814 )	79,222
Other receivables		88,220	35,388
Inventories	(	554,741 )	811,146
Prepayments	(	35,724 )	( 22,760 )
Other current assets		91,717	8,422
Changes in operating liabilities			
Notes payable	(	2,806 )	328
Notes payable - related parties		190,791	82,611
Accounts payable		73,360	( 37,993 )
Accounts payable - related parties		68,312	( 419,574 )
Other payables		67,587	( 105,528 )
Other current liabilities		13,058	33,591
Other non-current liabilities	(	55,718 )	( 48,948 )
Cash inflow generated from operations		1,370,686	1,538,977
Interest received		2,349	4,878
Dividends received		996,714	1,594,740
Interest paid	(	73,571 )	( 74,899 )
Income tax paid	(	58,907 )	( 297,359 )
Net cash flows from operating activities		2,237,271	2,766,337

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FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		\$ -	(\$ 129,100 )
Acquisition of investments accounted for using the equity method		-	( 1,352,445 )
Proceeds from disposal of investments accounted for using the equity method	6(6) and 7	-	18,084
Acquisition of property, plant and equipment	6(27)	( 390,693 )	( 410,009 )
Proceeds from disposal of property, plant and equipment		1,892	23,832
Increase in other non-current assets		( 159,879 )	( 5,626 )
Net cash flows used in investing activities		( 548,680 )	( 1,855,264 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings		26,453	( 7,541 )
(Decrease) increase in short-term notes and bills payable		( 200,038 )	499,979
Payment of lease principal		( 148,660 )	( 151,546 )
Increase in long-term borrowings		10,300,000	11,700,000
Payment of long-term borrowings		( 9,500,000 )	( 9,200,000 )
Payment of cash dividends		( 1,684,507 )	( 4,211,807 )
Net cash flows used in financing activities		( 1,206,752 )	( 1,370,915 )
Net increase (decrease) in cash and cash equivalents		481,839	( 459,842 )
Cash and cash equivalents at beginning of year	6(1)	1,901,429	2,361,271
Cash and cash equivalents at end of year	6(1)	<u>\$ 2,383,268</u>	<u>\$ 1,901,429</u>

The accompanying notes are an integral part of these parent company only financial statements.

FORMOSA TAFFETA CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) Formosa Taffeta Co., Ltd. (the “Company”) was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yunlin County, R.O.C. On December 24, 1985, the Company’s common stock was officially listed on the Taiwan Stock Exchange. The major operations of the Company’s various departments are as follows:

<u>Business department</u>	<u>Major activities</u>
Primary department: Fabrics & dyeing	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastics bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers

- (2) Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders’ meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company’s parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements.
- (3) During the years ended December 31, 2021 and 2020, the Company had an average of 4,281 and 4,525 employees, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 9, 2022.

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

#### (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

#### (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts— cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment 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, 2023
Amendments to IAS 1, 'Disclosure 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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.



B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses.

B. Translation of foreign operations

The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) 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.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) 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.

(5) Cash equivalents

Cash equivalents refer to 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 that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

- E. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Company has not retained control of the financial asset.

(11) Inventories

Inventories are stated 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 process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under the equity method in these parent company only financial statements.
- B. Unrealized profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to ensure consistency with the policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.
- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss.
- J. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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:

Item	Estimated useful lives
Buildings and structures	10 ~ 60 years
Machinery and equipment	5 ~ 20 years
Transportation equipment	5 ~ 10 years
Other equipment	2 ~ 15 years

(14) Leasing arrangements (lessee) — right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Leases liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 30 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date 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 or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

(22) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Company measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(23) Employee benefits

A. 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 service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, 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 or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
  - ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.
  - iii. Past service costs are recognized immediately in profit or loss.
- C. Employees' compensation and directors' and supervisors' remuneration
- Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

- A. 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.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. 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 balance sheet. However, the deferred income 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 income tax is provided on temporary differences arising on investments in



subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income 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 income tax asset is realized or the deferred income tax liability is settled.

- D. 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.
- E. 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.
- F. A deferred tax asset shall be recognized for the carry forward 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.

(25) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

- A. The Company manufactures and sells various fabrics and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company's will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company's recognizes expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Impairment valuation of accounts receivable

In evaluating impairment, the Company determines future recoverability of accounts receivable based on subjective judgement and estimates, taking into consideration the customer's financial condition, internal credit rating, and historical transaction records. If the forecastability has increased, the impairment of accounts receivable may be significant.

(2) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$4,392,093.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 91,377	\$ 59,535
Checking accounts and demand deposits	670,565	577,440
Time deposits	1,475,344	737,632
Cash equivalents - Commercial paper	145,982	526,822
	<u>\$ 2,383,268</u>	<u>\$ 1,901,429</u>

A. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company repatriates the offshore fund by adopting “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”. The Act restricts the usage of the fund; hence, in accordance with IAS 7, “Statement of cash flows”, the fund was reclassified as other financial assets. The amount on December 31, 2021 is USD 8,426 thousand equivalent to \$233,331.

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

### (2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Forward foreign exchange contracts	\$ -	\$ 82

A. For the years ended December 31, 2021 and 2020, the Company recognized (\$82) and (\$37) in profit or loss in relation to financial assets at fair value through profit or loss, respectively.

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

For the year ended December 31, 2021: None.

	<u>December 31, 2020</u>	
<u>Derivative Instruments</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	USD 415	2020.12~2021.1

The forward exchange contracts are transactions to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2021	December 31, 2020
Current items:		
Equity instruments		
Listed stocks	\$ 900,285	\$ 900,285
Unlisted stocks	100,000	100,000
	<u>1,000,285</u>	<u>1,000,285</u>
Valuation adjustment	489,166	409,532
	<u>\$ 1,489,451</u>	<u>\$ 1,409,817</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,125
Unlisted stocks	6,647,666	6,647,116
	<u>14,810,791</u>	<u>14,810,241</u>
Valuation adjustment	25,701,287	25,222,520
	<u>\$ 40,512,078</u>	<u>\$ 40,032,761</u>

A. The Company has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$42,001,529 and \$41,442,578 as at December 31, 2021 and 2020, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 558,401	(\$ 2,934,649)
Cumulative losses reclassified to retained earnings due to derecognition	\$ -	(\$ 84,122)

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company were \$42,001,529 and \$41,442,578, respectively.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

E. The Board of Directors during its meeting on May 7, 2020 resolved to dissolve and liquidate its subsidiary, Formosa Taffeta (Cayman) Limited. Thus, 3.847% equity of Formosa HA TINH (CAYMAN) Limited held by Formosa Taffeta (Cayman) Limited was transferred to the Company.

(4) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 57,955	\$ 43,015
Accounts receivable	\$ 2,101,329	\$ 1,866,497
Less: Allowance for uncollectible accounts	( 31,678)	( 31,678)
	<u>\$ 2,069,651</u>	<u>\$ 1,834,819</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 2,120,579	\$ 1,888,139
Up to 30 days	33,254	17,365
31 to 90 days	22	741
Over 90 days	5,429	3,267
	<u>\$ 2,159,284</u>	<u>\$ 1,909,512</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020 accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$1,853,360.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$57,955 and \$43,015, and accounts receivable were \$2,069,651 and \$1,834,819, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(3).

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 462,340	(\$ 11,123)	\$ 451,217
Supplies	67,415	( 1,187)	66,228
Work in process	1,819,227	-	1,819,227
Finished goods	2,052,936	( 437,948)	1,614,988
Merchandise inventory	214,886	-	214,886
Materials in transit	125,281	-	125,281
Outsourced processed materials	100,266	-	100,266
	<u>\$ 4,842,351</u>	<u>(\$ 450,258)</u>	<u>\$ 4,392,093</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 451,049	(\$ 11,951)	\$ 439,098
Supplies	54,062	( 255)	53,807
Work in process	1,454,901	-	1,454,901
Finished goods	2,074,777	( 605,682)	1,469,095
Merchandise inventory	236,878	-	236,878
Materials in transit	119,061	-	119,061
Outsourced processed materials	64,512	-	64,512
	<u>\$ 4,455,240</u>	<u>(\$ 617,888)</u>	<u>\$ 3,837,352</u>

The cost of inventories recognized as expense for the years ended December 31, 2021 and 2020 were as follows:

	Years ended December 31,	
	2021	2020
Cost of inventories sold	\$ 21,583,094	\$ 19,419,755
Service cost	180,006	114,111
Gain on inventory valuation (Note 1)	( 167,630)	( 132,134)
Others (Note 2)	45,012	18,930
	<u>\$ 21,640,482</u>	<u>\$ 19,420,662</u>

Note 1: Gain on inventory for the years ended December 31, 2021 and 2020 arose from inventories which were previously provided with allowance but were subsequently sold.

Note 2: Others consist of inventory overage/shortage, disposal of scrap and defective materials.

(6) Investments accounted for using equity method

A. List of long-term investments

	December 31, 2021	December 31, 2020
Formosa Advanced Technologies Co., Ltd.	\$ 5,135,358	\$ 4,985,980
Formosa Taffeta Dong Nai Co., Ltd.	2,524,546	2,218,410
Formosa Taffeta Vietnam Co., Ltd.	2,095,015	2,086,772
Formosa Industry Co., Ltd.	1,825,888	1,972,294
Taffeta (Zhong Shan) Co, Ltd.	1,923,461	1,841,916
Schoeller Textil AG	1,030,378	1,270,603
Formosa Taffeta (Hong Kong) Co., Ltd.	1,202,931	1,185,421
Quang Viet Enterprise Co., Ltd.	1,237,283	1,166,522
Formosa Development Co., Ltd.	186,160	221,926
Nan Ya Photonics Inc.	290,161	196,554
	<u>\$ 17,451,181</u>	<u>\$ 17,146,398</u>

B. The investment income (loss) on subsidiaries and associates accounted for using equity method for the years ended December 31, 2021 and 2020 was as follows:

	Years ended December 31,	
	2021	2020
Formosa Advanced Technologies Co., Ltd.	\$ 477,748	\$ 430,402
Formosa Taffeta Dong Nai Co., Ltd.	335,275	8,755
Taffeta (Zhong Shan) Co, Ltd.	144,023	77,230
Quang Viet Enterprise Co., Ltd.	144,254	64,298
Formosa Industry Co., Ltd.	140,286	59,530
Formosa Taffeta Vietnam Co., Ltd.	37,801	56,041
Formosa Taffeta (Hong Kong) Co., Ltd.	26,029	24,377
Formosa Development Co., Ltd.	( 14,846)	17,477
Nan Ya Photonics Inc.	14,594	8,109
Schoeller Textil AG	( 169,034)	( 54,623)
Schoerller Asia Co.,Ltd		
(Schoeller F.T.C. (Hong Kong) Co., Ltd.)	- (	242)
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	- (	347)
	<u>\$ 1,136,130</u>	<u>\$ 691,007</u>

C. The share of income of subsidiaries and associates accounted for using the equity method of \$672,210 and \$132,193 for the years ended December 31, 2021 and 2020, respectively, were based on the audited financial statements of the investee companies.

D. Subsidiaries

(a) Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2021 consolidated financial statements.

(b) As at December 31, 2021 and 2020, the Company's common stocks owned by its subsidiary, Formosa Development Co., Ltd., were 2,193,228 shares, treated as treasury stock.

E. Associates

(a) The financial information of the Company's principal associates is summarized below:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2021	December 31, 2020		
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.68%	30.68%	Associate	Equity method
Formosa Industry Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method

- (b) The Company is the director of Formosa Industry Co., Ltd., Nan Ya Photonics Inc. and Quang Viet Enterprise Co., Ltd. and has significant influence over its operations, thus, Formosa Industry Co., Ltd., Nan Ya Photonics Inc. and Quang Viet Enterprise Co., Ltd. are accounted for using the equity method.
- (c) The summarized financial information of the associates that are material to the Company is shown below:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2021	December 31, 2020
Current assets	\$ 9,538,767	\$ 7,816,528
Non-current assets	4,693,324	5,792,482
Current liabilities	( 1,402,448)	( 1,238,254)
Non-current liabilities	( 527,629)	( 555,589)
Total net assets	\$ 12,302,014	\$ 11,815,167
Share in associate's net assets	\$ 3,774,618	\$ 3,625,240
Difference	1,360,740	1,360,740
Carrying amount of the associate	\$ 5,135,358	\$ 4,985,980

  

	Formosa Industry Co., Ltd.	
	December 31, 2021	December 31, 2020
Current assets	\$ 11,757,034	\$ 10,071,348
Non-current assets	17,104,621	18,393,571
Current liabilities	( 5,873,213)	( 2,454,688)
Non-current liabilities	( 5,630,904)	( 7,188,638)
Total net assets	\$ 17,357,538	\$ 18,821,593
Share in associate's net assets	\$ 1,735,754	\$ 1,882,160
Difference	90,134	90,134
Carrying amount of the associate	\$ 1,825,888	\$ 1,972,294



### Statements of Comprehensive Income

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	Year ended	Year ended
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Revenue	\$ 9,939,192	\$ 9,706,776
Profit for the year from continuing operations	1,557,008	1,402,677
Other comprehensive loss, net of tax	( 53,098)	( 44,738)
Total comprehensive income	<u>\$ 1,503,910</u>	<u>\$ 1,357,939</u>
	<u>Formosa Industry Co., Ltd.</u>	
	Year ended	Year ended
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Revenue	\$ 25,582,987	\$ 19,994,485
Profit for the year from continuing operations		
(Total comprehensive income)	<u>\$ 1,402,858</u>	<u>\$ 595,303</u>

F. The Company's material associates, Quang Viet Enterprise Co., Ltd. and Formosa Advanced Technologies Co., Ltd., have quoted market prices as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Quang Viet Enterprise Co., Ltd.	\$ 2,426,693	\$ 2,008,298
Formosa Advanced Technologies Co., Ltd.	<u>5,305,341</u>	<u>5,128,949</u>
	<u>\$ 7,732,034</u>	<u>\$ 7,137,247</u>

G. The Board of Directors during its meeting on May 7, 2020 resolved to dissolve and liquidate its subsidiary, Formosa Taffeta (Cayman) Limited. Thus, 3.847% equity of Formosa HA TINH (CAYMAN) Limited held by Formosa Taffeta (Cayman) Limited was transferred to the Company. The transfer was completed in November 2020.

H. In August 2020, the Company increased its investment in Nan Ya Photonics Inc. by \$66,938 thousand. As of December 31, 2020, the Company's shareholding ratio was 15.22% and the Company was the director of the company. As the Company has significant influence over its operations, the investment is accounted for using the equity method

I. Owing to the capital increase of Schoeller Textil AG, the Board of Directors during its meeting on October 17, 2019 resolved to invest in Schoeller Textil AG in the amount of CHF 39,580 thousand (equivalent to \$1,285,507 thousand) for an equity interest of 50%. The Company obtained 50% equity interest in Schoeller Textil AG after the capital increase on March 18, 2020. As significant matters concerning Schoeller Textil AG requires consensus from the majority of the Board of Directors, the investment was accounted for using the equity method.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Construction in progress	Total
<u>At January 1, 2021</u>						
Cost	\$ 2,064,354	\$ 6,298,664	\$ 14,671,995	\$ 4,163,077	\$ 324,620	\$ 27,522,710
Accumulated depreciation	- (	4,627,077)	( 12,436,671)	( 3,963,870)	- (	21,027,618)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,908,616</u>	<u>\$ 1,671,587</u>	<u>\$ 2,235,324</u>	<u>\$ 199,207</u>	<u>\$ 324,620</u>	<u>\$ 6,339,354</u>
<u>2021</u>						
Opening net book amount as at January 1	\$ 1,908,616	\$ 1,671,587	\$ 2,235,324	\$ 199,207	\$ 324,620	\$ 6,339,354
Additions	-	-	-	-	352,356	352,356
Disposals	-	- (	1,697)	( 41)	- (	1,738)
Transfers	-	3,579	404,420	18,150 (	426,149)	-
Depreciation charge	- (	169,171)	( 425,911)	( 40,466)	- (	635,548)
Closing net book amount as at December 31	<u>\$ 1,908,616</u>	<u>\$ 1,505,995</u>	<u>\$ 2,212,136</u>	<u>\$ 176,850</u>	<u>\$ 250,827</u>	<u>\$ 6,054,424</u>
<u>At December 31, 2021</u>						
Cost	\$ 2,064,354	\$ 6,297,860	\$ 14,835,617	\$ 4,117,508	\$ 250,827	\$ 27,566,166
Accumulated depreciation	- (	4,791,865)	( 12,623,481)	( 3,940,658)	- (	21,356,004)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,908,616</u>	<u>\$ 1,505,995</u>	<u>\$ 2,212,136</u>	<u>\$ 176,850</u>	<u>\$ 250,827</u>	<u>\$ 6,054,424</u>

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Construction in progress	Total
<u>At January 1, 2020</u>						
Cost	\$ 2,067,358	\$ 6,274,310	\$ 14,455,488	\$ 4,199,524	\$ 220,983	\$ 27,217,663
Accumulated depreciation	- (	4,442,834) (	12,160,359) (	3,979,884)	- (	20,583,077)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>
<u>2020</u>						
Opening net book amount as at January 1	\$ 1,911,620	\$ 1,831,476	\$ 2,295,129	\$ 219,640	\$ 220,983	\$ 6,478,848
Additions	-	-	-	-	492,309	492,309
Disposals	( 3,004)	( 2,699)	( 179)	-	-	( 5,882)
Transfers	-	35,096	325,938	27,638	( 388,672)	-
Depreciation charge	-	( 192,286)	( 385,564)	( 48,071)	-	( 625,921)
Closing net book amount as at December 31	<u>\$ 1,908,616</u>	<u>\$ 1,671,587</u>	<u>\$ 2,235,324</u>	<u>\$ 199,207</u>	<u>\$ 324,620</u>	<u>\$ 6,339,354</u>
<u>At December 31, 2020</u>						
Cost	\$ 2,064,354	\$ 6,298,664	\$ 14,671,995	\$ 4,163,077	\$ 324,620	\$ 27,522,710
Accumulated depreciation	- (	4,627,077) (	12,436,671) (	3,963,870)	- (	21,027,618)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,908,616</u>	<u>\$ 1,671,587</u>	<u>\$ 2,235,324</u>	<u>\$ 199,207</u>	<u>\$ 324,620</u>	<u>\$ 6,339,354</u>

- A. Borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Years ended December 31,	
	2021	2020
Amount capitalized	\$ 1,406	\$ 2,008
Range of the interest rates for capitalization	0.78%~0.82%	0.80%~0.99%

- B. The components and useful lives of property, plant and equipment are as follows:

Items	Significant components	Estimated useful lives
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	5 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	5 ~ 10 years
Other equipment	Cogeneration power generation equipment	2~ 15 years

- C. Certain regulations restrict ownership of land to individuals. Accordingly, the title of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2021 and 2020, the land mortgaged to the Company amounted to \$808,300.

(8) Leasing arrangements – lessee

- A. The Company leases various assets including land. Rental contracts are typically made for periods of 3 to 25 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Right-of-use asset - land	\$ 744,479	\$ 717,814
	Year ended December 31, 2021	Year ended December 31, 2020
	Depreciation charge	Depreciation charge
Right-of-use asset - land	\$ 143,154	\$ 145,750

- C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$192,028 and \$110,528, respectively.

- D. The information on income and expense accounts relating to lease contracts is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,554	\$ 8,258
Expense on short-term lease contracts	1,714	2,386

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases was \$156,241 and \$159,804, respectively.

(9) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate	Collateral
Bank borrowings			
Purchase loans	\$ 31,236	0.75%~4.5%	-
Type of borrowings	December 31, 2020	Interest rate	Collateral
Bank borrowings			
Purchase loans	\$ 4,783	0.84%	-

(10) Short-term notes and bills payable

Type of borrowings	December 31, 2021	December 31, 2020
Short-term notes and bills payable	\$ 300,000	\$ 500,000
Less: Discount on short-term notes and bills payable	( 59)	( 21)
	\$ 299,941	\$ 499,979
Interest rate	0.34%~0.45%	0.20%~0.25%

The abovementioned commercial paper payable is issued by Taishin International Bank, Ta Ching Bills Finance Corporation and China Bills Finance Corporation, etc.

(11) Financial liabilities at fair value through profit or loss - current

Items	December 31, 2021	December 31, 2020
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ -	\$ 137

A. For the years ended December 31, 2021 and 2020, the Company recognized \$137 and (\$57) in profit or loss in relation to financial liabilities held for trading, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

For the year ended December 31, 2021: None.

Derivative Financial Liabilities	December 31, 2020	
	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	USD 415	2020.12~2021.1
Taipei Fubon Bank	USD 583	2020.12~2021.2

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(12) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Credit borrowings	\$ 9,700,000	\$ 8,900,000
Interest rate	0.73%~0.85%	0.72%~0.90%

(13) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are determined as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 1,980,093	\$ 2,030,408
Fair value of plan assets	( 1,587,866)	( 1,717,106)
Net defined benefit liability	<u>\$ 392,227</u>	<u>\$ 313,302</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 2,030,408	(\$ 1,717,106)	\$ 313,302
Current service cost	11,672	-	11,672
Interest expense (income)	20,304	(17,474)	2,830
	<u>2,062,384</u>	<u>(1,734,580)</u>	<u>327,804</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(13,569)	(13,569)
Change in financial assumptions	35,695	-	35,695
Experience adjustments	115,738	-	115,738
	<u>151,433</u>	<u>(13,569)</u>	<u>137,864</u>
Pension fund contribution	-	(55,728)	(55,728)
Paid pension	(232,979)	216,011	(16,968)
Transfer to related party	(745)	-	(745)
Balance at December 31	<u>\$ 1,980,093</u>	<u>(\$ 1,587,866)</u>	<u>\$ 392,227</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 2,286,947	(\$ 1,816,757)	\$ 470,190
Current service cost	16,490	-	16,490
Interest expense (income)	28,587	(23,152)	5,435
	<u>2,332,024</u>	<u>(1,839,909)</u>	<u>492,115</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(54,284)	(54,284)
Experience adjustments	(54,116)	-	(54,116)
	<u>(54,116)</u>	<u>(54,284)</u>	<u>(108,400)</u>
Pension fund contribution	-	(60,530)	(60,530)
Paid pension	(246,399)	237,617	(8,782)
Transfer to related party	(1,101)	-	(1,101)
Balance at December 31	<u>\$ 2,030,408</u>	<u>(\$ 1,717,106)</u>	<u>\$ 313,302</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes 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 securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2021	2020
Discount rate	0.50%	1.00%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1.00%	Decrease 1.00%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 18,136)	\$ 18,738	\$ 78,497	(\$ 70,438)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 20,002)	\$ 20,722	\$ 89,189	(\$ 79,234)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) For the aforementioned pension plan, the Company recognized pension costs of \$14,502 and \$21,925 for the years ended December 31, 2021 and 2020, respectively.



- (g) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 are \$55,728.
- (h) As of December 31, 2021, the weighted average duration of that retirement plan is 6.0 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2021 and 2020 were \$79,741 and \$78,825, respectively.

(14) Share capital

- A. As of December 31, 2021, the Company’s authorized and issued capital was \$16,846,646, consisting of 1,684,665,000 shares of common stocks, with a par value of \$10 per share.
- B. For the years ended December 31, 2021 and 2020, changes in treasury stocks are as follows (in thousands of shares):

		2021			
<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal</u>	<u>Ending Shares</u>
Long-term equity investment transferred to treasury stock for parent company’s shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193
		2020			
<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal</u>	<u>Ending Shares</u>
Long-term equity investment transferred to treasury stock for parent company’s shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193

- C. The abovementioned treasury stocks were acquired by the subsidiary, Formosa Development Co., Ltd., for investment purposes.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

A. According to the R.O.C. Securities Exchange Law No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or contra-account in stockholders' equity belongs to prior periods, the same amount from prior period earnings should be considered special reserve and cannot be distributed.

The special reserve includes:

- i. Reserve for special purposes,
- ii. Investment income recognized under the equity method,
- iii. Net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and
- iv. Other special reserves set out by legal provisions.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company's distributable earnings shall be appropriated as dividends after deducting the legal reserve and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or the Company's financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to exceed 50% of the total dividends.

C. 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 permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. The appropriations of 2020 and 2019 earnings had been resolved at the stockholders' meeting on July 30, 2021 and June 19, 2020, respectively. Details are summarized below:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 212,351		\$ 518,872	
Cash dividends	1,684,665	\$ 1.00	4,211,662	\$ 2.50

E. As of December 31, 2021 and 2020, unpaid stock dividends amounted to \$13,240 and \$12,985, respectively.

F. The appropriations of 2021 earnings had been resolved by the Board of Directors on March 9, 2022. Details are summarized below:

	2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 201,758	
Cash dividends	1,684,665	\$ 1.00

As of March 9, 2022, the above appropriations of 2021 earnings has not yet been resolved by the shareholders.

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(23).

(17) Other equity items

	Unrealized gains (losses) on valuation	Currency translation
January 1, 2021	\$ 25,601,654	(\$ 1,246,441)
Revaluation		
— Parent company	558,401	-
— Subsidiaries and associates	78,003	-
Revaluation transferred to retained earnings		
— Subsidiaries and associates	( 16,678)	-
Difference of currency translation		
— Parent company	-	( 194,287)
— Subsidiaries and associates	-	( 2,774)
December 31, 2021	<u>\$ 26,221,380</u>	<u>(\$ 1,443,502)</u>

	Unrealized gains (losses) on valuation	Currency translation
January 1, 2020	\$ 26,065,808	(\$ 1,055,651)
Revaluation		
— Parent company	( 2,934,649)	-
— Subsidiaries and associates	2,389,672	-
Revaluation transferred to retained earnings		
— Parent company	84,122	-
— Subsidiaries and associates	( 3,299)	-
Difference of currency translation		
— Parent company	-	( 235,984)
— Subsidiaries and associates	-	45,194
December 31, 2020	<u>\$ 25,601,654</u>	<u>(\$ 1,246,441)</u>

(18) Operating revenue

	Years ended December 31,	
	2021	2020
Sales revenue	\$ 24,292,267	\$ 21,399,149
Service revenue	197,814	125,742
	<u>\$ 24,490,081</u>	<u>\$ 21,524,891</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines:

	2021	First business group	Second business group			Total
			Cord fabric department	Gasoline department	Other segment	
Revenue from external customer contracts		<u>\$ 6,691,010</u>	<u>\$ 5,153,682</u>	<u>\$ 10,811,504</u>	<u>\$ 1,833,885</u>	<u>\$ 24,490,081</u>
Timing of revenue recognition						
At a point in time		<u>\$ 6,691,010</u>	<u>\$ 5,153,682</u>	<u>\$ 10,811,504</u>	<u>\$ 1,833,885</u>	<u>\$ 24,490,081</u>
	2020	First business group	Second business group			Total
			Cord fabric department	Gasoline department	Other segment	
Revenue from external customer contracts		<u>\$ 6,105,002</u>	<u>\$ 4,573,915</u>	<u>\$ 9,414,248</u>	<u>\$ 1,431,726</u>	<u>\$ 21,524,891</u>
Timing of revenue recognition						
At a point in time		<u>\$ 6,105,002</u>	<u>\$ 4,573,915</u>	<u>\$ 9,414,248</u>	<u>\$ 1,431,726</u>	<u>\$ 21,524,891</u>

(19) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 2,016	\$ 4,646

(20) Other income

	Years ended December 31,	
	2021	2020
Dividend income	\$ 280,873	\$ 1,156,765
Other income	236,080	264,724
	<u>\$ 516,953</u>	<u>\$ 1,421,489</u>

(21) Other gains and losses

	Years ended December 31,	
	2021	2020
Forward foreign exchange contracts		
Net loss on financial assets at fair value through profit or loss	(\$ 82)	(\$ 37)
Net gain (loss) on financial liabilities at fair value through profit or loss	137 (	57)
Foreign exchange losses	( 97,178)	( 55,492)
Loss on disposal of investments	- (	734)
Gain on disposal of property, plant and equipment	5,911	36,209
Bank charges	( 34,354)	( 29,326)
Other losses	( 48,816)	( 47,458)
	<u>(\$ 174,382)</u>	<u>(\$ 96,895)</u>

(22) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 2,596,962	\$ 2,502,552
Depreciation charges (Including Right-of-use assests and Investment property)	808,112	801,082
	<u>\$ 3,405,074</u>	<u>\$ 3,303,634</u>

(23) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 2,181,747	\$ 2,086,968
Labour and health insurance fees	238,613	230,908
Pension costs	94,243	100,750
Other personnel expenses	82,359	83,926
	<u>\$ 2,596,962</u>	<u>\$ 2,502,552</u>

- A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$4,546 and \$4,394, respectively; while directors' and supervisors' remuneration was accrued at \$2,273 and \$2,197, respectively. The aforementioned amount was recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the Company's Articles of Incorporation of profit of current year distributable for the year ended December 31, 2021. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors totalled to \$4,546 and \$2,273, respectively, and the employees' compensation will be distributed in the form of cash. The employees' compensation and directors' and supervisors' remuneration for 2020 as approved by shareholders were the same as the amounts shown in the 2020 financial statements. For the year ended December 31, 2020, employees' compensation was \$4,394 and distributed in cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 73,994	\$ 67,333
Other financial expense	7,554	8,258
Less: Capitalization of qualifying assets	( 1,406)	( 2,008)
Finance costs	<u>\$ 80,142</u>	<u>\$ 73,583</u>

(25) Income tax

A. Income tax expense

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 173,333	\$ 61,031
Tax on undistributed surplus earnings	2,796	1,740
Adjustments in respect of prior period	( 34,499)	( 25,451)
Total current tax	<u>141,630</u>	<u>37,320</u>
Deferred tax:		
Origination and reversal of temporary differences	( 18,604)	57,355
Total deferred tax	<u>( 18,604)</u>	<u>57,355</u>
Tax expense	<u>\$ 123,026</u>	<u>\$ 94,675</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 484,163	\$ 438,045
Tax effect of permanent differences	( 240,586)	( 324,773)
Tax effect of temporary differences	( 70,244)	( 52,241)
Prior year income tax over estimation	( 34,499)	( 25,451)
Net change in assessment of deferred income tax assets and liabilities	( 18,604)	57,355
Tax on undistributed surplus earnings	<u>2,796</u>	<u>1,740</u>
Tax expense	<u>\$ 123,026</u>	<u>\$ 94,675</u>

Note: The basis for computing the applicable tax rate is the rate applicable in the respective countries where the Company entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and investment tax credits are as follows:

		Year ended December 31, 2021			
		January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	\$ 99,566	(\$ 33,526)	\$ -	\$ 66,040	
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503	
Unrealized foreign exchange loss	-	2,742	-	2,742	
Unrealized gain on disposal of equipment	1,742	(1,151)	-	591	
	103,811	(31,935)	-	71,876	
Deferred tax liabilities:					
-Temporary differences					
Unrealized foreign exchange gain	(2,721)	2,721	-	-	
Investment income accounted for under equity method	(397,238)	47,818	-	(349,420)	
	(399,959)	50,539	-	(349,420)	
	(\$ 296,148)	\$ 18,604	\$ -	(\$ 277,544)	
		Year ended December 31, 2020			
		January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	\$ 125,993	(\$ 26,427)	\$ -	\$ 99,566	
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503	
Unrealized foreign exchange loss	4,926	(4,926)	-	-	
Unrealized gain on disposal of equipment	5,394	(3,652)	-	1,742	
	138,816	(35,005)	-	103,811	
Deferred tax liabilities:					
-Temporary differences					
Unrealized foreign exchange gain	-	(2,721)	-	(2,721)	
Investment income accounted for under equity method	(377,609)	19,629	-	(397,238)	
	(377,609)	22,350	-	(399,959)	
	(\$ 238,793)	(\$ 57,355)	\$ -	(\$ 296,148)	

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



(26) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company divided by weighted average amount of outstanding common stocks for the year.

Year ended December 31, 2021					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	<u>\$ 2,266,193</u>	<u>\$ 2,143,167</u>	<u>1,682,471</u>	<u>\$ 1.35</u>	<u>\$ 1.27</u>
Year ended December 31, 2020					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	<u>\$ 2,190,223</u>	<u>\$ 2,095,548</u>	<u>1,682,471</u>	<u>\$ 1.30</u>	<u>\$ 1.25</u>

The following is the earnings per share assuming the shares of the Company held by its subsidiary, Formosa Development Co., Ltd., are not deemed as treasury shares:

Year ended December 31, 2021					
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	<u>\$ 2,266,193</u>	<u>\$ 2,143,167</u>	<u>1,684,665</u>	<u>\$ 1.35</u>	<u>\$ 1.27</u>
Year ended December 31, 2020					
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	<u>\$ 2,190,223</u>	<u>\$ 2,095,548</u>	<u>1,684,665</u>	<u>\$ 1.30</u>	<u>\$ 1.24</u>

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the years ended December 31, 2021 and 2020.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 352,356	\$ 492,309
Add: Opening balance of payable on equipment	85,562	3,262
Less: Ending balance of payable on equipment	( 47,225)	( 85,562)
Cash paid during the year	<u>\$ 390,693</u>	<u>\$ 410,009</u>

(28) Changes in liabilities from financing activities

	2021			
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 4,783	\$ 499,979	\$ 8,900,000	\$ 9,404,762
Changes in cash flow from short-term borrowings	26,453	-	-	26,453
Decrease in short-term notes and bills payable	-	( 200,038)	-	( 200,038)
Increase in long-term borrowings	-	-	10,300,000	10,300,000
Payment of long-term borrowings	-	-	( 9,500,000)	( 9,500,000)
At December 31	<u>\$ 31,236</u>	<u>\$ 299,941</u>	<u>\$ 9,700,000</u>	<u>\$ 10,031,177</u>
	2020			
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 12,324	\$ -	\$ 6,400,000	\$ 6,412,324
Changes in cash flow from short-term borrowings	( 7,541)	-	-	( 7,541)
Increase in short-term notes and bills payable	-	499,979	-	499,979
Increase in long-term borrowings	-	-	11,700,000	11,700,000
Payment of long-term borrowings	-	-	( 9,200,000)	( 9,200,000)
At December 31	<u>\$ 4,783</u>	<u>\$ 499,979</u>	<u>\$ 8,900,000</u>	<u>\$ 9,404,762</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The Company is controlled by Formosa Chemicals & Fibre Corp. (incorporated in R.O.C), which owns 37.4% of the Company's shares. The ultimate controlling party of the Company is Formosa Chemicals & Fibre Corp.

### (2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Chemicals & Fibre Corp.	Ultimate Parent Company
Formosa Taffeta Dong Nai Co., Ltd.	Subsidiary
Formosa Taffeta Vietnam Co., Ltd.	Subsidiary
Formosa Taffeta (Zhong Shan) Co., Ltd.	Subsidiary
Formosa Taffeta (Hong Kong) Co., Ltd.	Subsidiary
Formosa Taffeta (Changshu) Co., Ltd.	Subsidiary
Formosa Deleopment Co., Ltd.	Subsidiary
Public More International Co., Ltd.	Subsidiary
Quang Viet Enterprise Corp.	Associate
Formosa Advanced Technologies Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Textil AG	Associate
Schoerller Asia Co.,Ltd. (Note 1)	Other Related Party
(Shoeller F.T.C (Hong Kong) Co., Ltd.)	
Formosa Heavy Industries Corp.	Other Related Party
Formosa Biomedical Technology Corp.	Other Related Party
Formosa Petrochemical Corp.	Other Related Party
Formosa Asahi Spandex Corp.	Other Related Party
Formosa Technologies Corp.	Other Related Party
Formosa Plastics Corp.	Other Related Party
Chang Gung Biotechnology Corp.	Other Related Party
Nan Ya Plastics Corp.	Other Related Party
Nanya Technology Corp.	Other Related Party
Yugen Yueh Co., Ltd.	Other Related Party
Yumaowu Enterprise Co., Ltd.	Other Related Party
Yu Yuang Textile Co., Ltd.	Other Related Party
Yu Maowu Complex Co., Ltd.	Other Related Party
Great King Garment Co., Ltd.	Other Related Party
Kong You Industrial Co., Ltd.	Other Related Party
Bellmart Indurstril Co., Ltd.	Other Related Party
TOA Resin Corp.	Other Related Party
NKFG Corp.	Other Related Party

Names of related parties	Relationship with the Company
Albers & Co AG (Note 2)	Other Related Party
FG INC.	Other Related Party
Formosa Ha Tinh (Cayman) Limited	Other Related Party

Note 1: The Company disposed all its equity investment in Shoeller F.T.C (Hong Kong) Co., Ltd. on March 16, 2020. Therefore, Shoeller F.T.C (Hong Kong) Co., Ltd. was reclassified as other related party.

Note 2: Schoeller Holding AG merged with its parent company, Albers & Co AG, in September 2021, with Albers & Co AG as the surviving company and Schoeller Textile AG as the dissolved company.

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2021	2020
Sales of goods:		
— Ultimate parent	\$ 293	\$ 1,083
— Subsidiaries	307,701	202,941
— Associates	294,036	276,873
— Other related parties	421,924	397,259
	<u>\$ 1,023,954</u>	<u>\$ 878,156</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods

	Years ended December 31,	
	2021	2020
Purchases of goods:		
— Ultimate parent	\$ 1,395,375	\$ 1,005,720
— Subsidiaries	232,380	242,169
— Other related parties		
Formosa Petrochemical Corp.	9,640,038	8,144,370
Others	977,297	826,617
	<u>\$ 12,245,090</u>	<u>\$ 10,218,876</u>

Goods and services are purchased from an entity controlled by key management personnel, subsidiaries and associates on normal commercial terms and conditions.

C. Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Receivables from related parties:		
— Ultimate parent	\$ 18	\$ 31
— Subsidiaries	65,465	25,164
— Associates	16,277	39,012
— Other related parties	92,242	56,735
	<u>\$ 174,002</u>	<u>\$ 120,942</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables from related parties:		
— Ultimate parent	\$ 482,192	\$ 281,055
— Subsidiaries	57,232	40,893
— Other related parties		
Formosa Petrochemical Corp.	425,208	401,483
Others	76,484	58,582
	<u>\$ 1,041,116</u>	<u>\$ 782,013</u>

The payables to related parties arise mainly from purchase transactions and are due 15~60 days after the date of purchase. The payables bear no interest.

E. Property transactions, investment property and other receivables

(a) Acquisition of property, plant and equipment

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Other related party	<u>\$ 15,072</u>	<u>\$ 734</u>

(b) Disposal of property, plant and equipment:

The Company sold fixed assets to related parties at cost plus any necessary expense. Gain or loss is recorded as gain or loss on disposal of property, plant and equipment. Details are as follows:

For the year ended December 31, 2021: None.

	<u>Year ended December 31, 2020</u>	
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Sale of property, plant and equipment:		
— Subsidiaries	<u>\$ 1,500</u>	<u>\$ 340</u>

(c) Rental income (shown as other income)

The Company leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees' dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the years ended December 31, 2021 and 2020 amounted to \$42,294 and \$42,237, respectively.

Investment property leased to Formosa Advanced Technologies Co., Ltd. are as follows:

	Land	Building and structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	( 399,501)	( 399,501)
	<u>\$ 7,892</u>	<u>\$ 506,621</u>	<u>\$ 514,513</u>
<u>Year ended December 31, 2021</u>			
Opening net book amount	\$ 7,892	\$ 506,621	\$ 514,513
Depreciation charge	-	( 29,410)	( 29,410)
Closing net book amount	<u>\$ 7,892</u>	<u>\$ 477,211</u>	<u>\$ 485,103</u>
<u>At December 31, 2021</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	( 428,911)	( 428,911)
	<u>\$ 7,892</u>	<u>\$ 477,211</u>	<u>\$ 485,103</u>
	Land	Building and structures	Total
<u>At January 1, 2020</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	( 370,090)	( 370,090)
	<u>\$ 7,892</u>	<u>\$ 536,032</u>	<u>\$ 543,924</u>
<u>Year ended December 31, 2020</u>			
Opening net book amount	\$ 7,892	\$ 536,032	\$ 543,924
Depreciation charge	-	( 29,411)	( 29,411)
Closing net book amount	<u>\$ 7,892</u>	<u>\$ 506,621</u>	<u>\$ 514,513</u>
<u>At December 31, 2020</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	( 399,501)	( 399,501)
	<u>\$ 7,892</u>	<u>\$ 506,621</u>	<u>\$ 514,513</u>

Note: Represents transfer from property, plant and equipment.

The fair value of the investment property held by the Company was based on the selling price of similar property in neighbouring areas. As of December 31, 2021 and 2020, the fair value was \$610,257 and \$580,338, respectively.

(d) Other income

Other income pertains to the Company's collections and payment transfer of utilities, steam and waste disposal costs, etc. for Formosa Advanced Technologies Co., Ltd. for the years ended December 31, 2021 and 2020, amounting to \$22,682 and \$13,749, respectively.

(e) Other receivables

	Items	December 31, 2021	December 31, 2020
Ultimate parent	Payments made by the Company on behalf of related party	\$ 529	\$ 737
Subsidiaries			
-Formosa Taffeta Dong Nai Co., Ltd.	Service fee, endorsement fee, payments made by the Company on behalf of related party	17,102	24,336
-Formosa Taffeta Vietnam Co., Ltd.		10,512	94,783
-Others		135	1,718
Associates			
-Others	Rent, utility expense, steam and waste disposal costs, etc.	5,870	5,867
Other related party			
-Formosa Ha Tinh (Cayman) Limited	Payments of guarantee commission	10,898	15,581
-Others	Payments made by the Company on behalf of related party	22	231
		<u>\$ 45,068</u>	<u>\$ 143,253</u>

(f) Acquisition of financial assets:

For the year ended December 31, 2021: None.

	Account	No. of shares	Object	Year ended December 31, 2020 Consideration
Other related parties	Non-current financial assets at fair value through other comprehensive income	-	FG INC.	\$ 73,680
Other related parties	Non-current financial assets at fair value through other comprehensive income	5,540	NKFG Corp.	\$ 55,400
Associates	Investments accounted for using the equity method	22	Scheoller Textil AG	\$ 1,285,507

(g) Other payables

	December 31, 2021	December 31, 2020
Subsidiaries	\$ -	\$ 2,583
Associates	-	597
Other related party	-	294
	<u>\$ -</u>	<u>\$ 3,474</u>

F. Commission expenses and commissions payable

(a) The Company paid commissions for sales rendered to Formosa Taffeta (Hong Kong) Co., Ltd. equivalent to 2.5%. Details are as follows (shown as sales and marketing expenses):

	Years ended December 31,	
	2021	2020
Subsidiaries	\$ 1,473	\$ 1,283

(b) The balances of commission payable (shown as other payables) consisted of the following:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 227	\$ 379



G. Endorsements and guarantees provided to related parties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 913,440	\$ 939,840
Formosa Taffeta Vietnam Co., Ltd.	1,467,040	1,509,440
Formosa Taffeta (Changshu) Co., Ltd.	1,522,400	1,566,400
Formosa Taffeta Dong Nai Co., Ltd.	3,473,840	4,044,160
Formosa Ha Tinh (Cayman) Ltd.	2,209,563	6,376,541
	<u>\$ 9,586,283</u>	<u>\$ 14,436,381</u>

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 20,323	\$ 16,084

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

- (1) As of December 31, 2021, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

<u>Currency</u>	<u>Amount</u>
USD	\$ 363
JPY	82,190
EUR	1,337

(2) Contingencies-Lawsuit

- A. Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Company with the Taipei District Court in September 2019. TCB claimed that the former employees of the Company colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled with the fact that New Site and New Brite has accounts receivable due from the Company, causing damage to TCB. Therefore, TCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.
- B. DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in September 2019. The former employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc.

(hereinafter referred to as New Site) to make the false statements. DBS was misled with the fact that New Site has accounts receivable due from the Company and Formosa Dong Nai, causing damage to DBS. Therefore, DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.

- C. O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin Young) to make false statements. O-Bank was misled with the fact that I Chin Young has accounts receivable due from the Company and Formosa Dong Nai, causing damage to O-Bank. Therefore, O-Bank claimed that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.
- D. Yuanta Commercial Bank (hereinafter referred to as YCB) filed a civil lawsuit against the Company with the Taipei District Court in October 2020. The former employees of the Company colluded with Loomtech Industries Inc. (hereinafter referred to as Loomtech) to make false statements. YCB was misled with the fact that Loomtech has accounts receivable due from the Company, causing damage to YCB. Therefore, YCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As of March 9, 2022, the court was not in session, hence the ultimate outcome of this litigation is not presently determinable.
- E. Taiwan Business Bank (hereinafter referred to as TBB) filed a merger of action in criminal prosecution against the Company and its subsidiary - Formosa Taffeta Dong Nai. The former employees of the Company colluded with New Site, New Brite and I Chin Young to make false statement. TBB was misled with the fact that New Site, New Brite, I Chin Young have accounts receivable due from the Company and Formosa Taffeta Dong Nai, causing damage to TBB. Therefore, TBB claimed that the Company and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employees. As of March 9, 2022, the Taiwan Taipei District Court has transferred the action to the civil court, however, the court has not adjudicated the case. Hence, the ultimate outcome of this litigation is not presently derterminable and the Company has engaged lawyers to submit a strong defense to protect the Company's right and interests.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

- A. Refer to Note 6(16) F for the distribution of 2021 earnings which was proposed by the Board of Directors on March 9, 2022.

12. OTHERS

- (1) The spread of the coronavirus (COVID-19) pandemic and multiple prevention policies enforced by the government led to the decrease in the overall consumer market demand. However, there was no significant effect on the Group's financial position and assets impairment. The Group has implemented the measures listed below to ensure the continued operations during the pandemic.

A. Implement prevention guidelines of the Centers for Disease Control.

B. Raise the administration level of supply chain to provide clients with a stable and flexible production line.

(2) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings and short-term bills payable' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

At December 31, 2021, the Company's strategy was unchanged from December 31, 2020. The gearing ratios at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total borrowings	\$ 10,031,177	\$ 9,404,762
Less: Cash and cash equivalents	( 2,383,268)	( 1,901,429)
Net debt	7,647,909	7,503,333
Total equity	62,243,859	61,483,588
Total capital	<u>\$ 69,891,768</u>	<u>\$ 68,986,921</u>
Gearing ratio	<u>11%</u>	<u>11%</u>

(3) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ -	\$ 82
Financial assets at fair value through other comprehensive income	42,001,529	41,442,578
Financial assets at amortized cost	4,868,393	4,172,275
	<u>\$ 46,869,922</u>	<u>\$ 45,614,935</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ -	\$ 137
Financial liabilities at amortized cost	12,669,153	11,687,154
	<u>\$ 12,669,153</u>	<u>\$ 11,687,291</u>

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties) and other receivables; financial liabilities at amortized cost includes short-term borrowings, short-term notes and bills payable, notes and accounts payable (including related parties), other payables and long-term borrowings.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Company focus on unpredictable factors in financial market and aim to reduce unfavorable impact on financial position and financial performance.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Some of the Company's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities are as follows:

December 31, 2021			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 118,120	27.69	\$ 3,270,743
JPY:NTD	418,997	0.24	100,559
EUR:NTD	5,218	31.32	163,428
<u>Non-monetary items</u>			
VND:NTD	5,299,065,790	0.0012	6,358,879
HKD:NTD	339,811	3.54	1,202,931
RMB:NTD	694,474	4.34	3,014,017
CHF:NTD	34,147	30.18	1,030,556

  

December 31, 2020			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 71,317	28.51	\$ 2,033,248
<u>Non-monetary items</u>			
VND:NTD	5,088,833,063	0.0012	6,106,600
HKD:NTD	326,280	3.63	1,184,396
RMB:NTD	675,069	4.37	2,950,052
USD:NTD	89,780	28.51	2,559,628
CHF:NTD	39,325	32.31	1,270,591

- ii. The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$97,178 and \$55,492, respectively.

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 32,707	\$ -
JPY:NTD	1%	1,006	-
EUR:NTD	1%	1,634	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	63,589
HKD:NTD	1%	-	12,029
RMB:NTD	1%	-	30,140
CHF:NTD	1%	-	10,306
Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 20,332	\$ -
<u>Non-monetary items</u>			
VND:NTD	1%	-	61,066
HKD:NTD	1%	-	11,844
RMB:NTD	1%	-	29,501
USD:NTD	1%	-	25,596
CHF:NTD	1%	-	12,706

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have

increased/decreased by \$0 for both years, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$420,015 and \$414,426, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2021 and 2020, the Company's borrowings at variable rate were denominated in the NTD.
- ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have decreased/increased by \$80,000 and \$75,238, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

- v. The Company classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Company applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vii. The Company uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On December 31, 2021 and 2020, the provision matrix are as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2021</u>					
Expected loss rate	1%	3%	91%	100%	
Total book value	\$ 2,120,579	\$ 33,254	\$ 22	\$ 5,429	\$ 2,159,284
Loss allowance	25,309	920	20	5,429	31,678
	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2020</u>					
Expected loss rate	1%	7%	87%	100%	
Total book value	\$ 1,888,139	\$ 17,365	\$ 741	\$ 3,267	\$ 1,909,512
Loss allowance	26,564	1,204	643	3,267	31,678

- viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes receivable, accounts receivable are as follows:

	Year ended December 31, 2021	
	Notes receivable	Accounts receivable
At January 1 (As at December 31)	\$ -	(\$ 31,678)
	Year ended December 31, 2020	
	Notes receivable	Accounts receivable
At January 1 (As at December 31)	\$ -	(\$ 31,678)

(c) Liquidity risk

- i. The Company's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Company's investments in equity financial instruments without active markets are exposed to liquidity risk.



- ii. Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 80,798	\$ 153,985	\$ 257,435	\$ 260,802
Long-term borrowings (including current portion)	-	9,777,005	-	-

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 99,484	\$ 114,192	\$ 255,360	\$ 255,271
Long-term borrowings (including current portion)	-	8,062,209	908,080	-

- (d) The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(4) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary certificates with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in some unlisted stocks and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables, short-term borrowings, short-term bills payable, notes payable (including related parties), accounts payable (including related parties), other payables and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	<u>\$ 36,655,941</u>	<u>\$ 464,900</u>	<u>\$ 4,880,688</u>	<u>\$ 42,001,529</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	\$ 38,188,517	\$ 344,320	\$ 2,909,741	\$ 41,442,578
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	<u>-</u>	<u>82</u>	<u>-</u>	<u>82</u>
	<u>\$ 38,188,517</u>	<u>\$ 344,402</u>	<u>\$ 2,909,741</u>	<u>\$ 41,442,660</u>
Liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 137</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the balance sheet date.
- iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- iv. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	<u>Year ended December 31, 2021</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 2,909,741
Acquired during the year	550
Gains and losses recognized in other comprehensive income	
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	1,970,397
At December 31	<u>\$ 4,880,688</u>
	<u>Year ended December 31, 2020</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 415,853
Acquired during the year	6,370,145
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 3,679,868)
Transfers out from level 3	( 196,389)
At December 31	<u>\$ 2,909,741</u>

- F. For the years ended December 31, 2021 and 2020, there were no transfer into or out from Level 3.
- G. The accounting department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- The accounting department sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS. The related valuation results are reported to the supervisor of accounting department monthly. The supervisor is responsible for managing and reviewing valuation processes.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$	127,332	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
		4,753,356	Net asset value	Not applicable	Not applicable

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 87,005	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	2,822,736	Net asset value	Not applicable	Not applicable

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2021		
		Recognized in other comprehensive income		
		Favourable		
	Input	Change	change	Unfavourable
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%		
			\$ 1,273	\$ 1,273
		December 31, 2020		
		Recognized in other comprehensive income		
		Favourable		
	Input	Change	change	Unfavourable
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%		
			\$ 3,369	\$ 3,369

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the year ended December 31, 2021 are stated as follows. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent auditors. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), (11) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

#### (3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

### 14. SEGMENT INFORMATION

None.

FORMOSA TAFFETA CO., LTD.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/g uarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 40,458,508	\$ 941,655	\$ 913,440	\$ 13,840	\$ -	1.47	\$ 80,917,016	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	40,458,508	1,512,355	1,467,040	484,408	-	2.36	80,917,016	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	40,458,508	1,569,425	1,522,400	189,498	-	2.45	80,917,016	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	40,458,508	4,031,380	3,473,840	2,358,647	-	5.58	80,917,016	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	40,458,508	6,356,390	2,209,563	2,209,563	-	3.55	80,917,016	N	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories.

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 1.3 times of the Company's net assets, and limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.

## FORMOSA TAFFETA CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 983,305	0.21	\$ 983,305	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	35	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	67	-	67	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	41,179	0.01	41,179	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	464,900	2.35	464,900	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	602,230	0.25	602,230	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	35,029,160	3.83	35,029,160	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	234,166	12,885	0.54	12,885	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	46,428	10.00	46,428	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	852,120	28,313	1.20	28,313	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	337,183	503	3.17	503	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	240,229	3.00	240,229	



## FORMOSA TAFFETA CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	NKFG	Other related party	Non-current financial assets at fair value through other comprehensive income	5,540,000	\$ 39,706	2.50	\$ 39,706	
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	4,512,624	3.85	4,512,624	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	63,933	0.13	63,933	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

FORMOSA TAFFETA CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions												
			Transaction			(Note 1)		Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 286,180)	( 1.17)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 15,599	0.69	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	( 192,900)	( 0.79)	Pay 120 days after delivery	-	-	Accounts receivable	53,332	2.35	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Subsidiary	Sales	( 236,515)	( 0.97)	60 days after monthlv	-	-	Accounts receivable	56,300	2.48	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Purchases	9,640,038	48.05	Pay every 15 days by mail transfer	-	-	Accounts payable	( 425,208)	( 51.13)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,395,375	6.95	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	( 318,392)	( 70.90)	
									Accounts payable	( 163,800)	( 19.70)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	740,561	3.69	Pay every 15 days by mail transfer	-	-	Accounts payable	( 60,118)	( 7.23)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	202,841	1.01	Pay every 15 days by mail transfer	-	-	Accounts payable	( 13,651)	( 1.64)	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	( 352,567)	( 20.16)	60 days after monthlv	-	-	Accounts receivable	103,585	32.77	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 113,968)	( 6.52)	60 days after monthlv	-	-	Accounts receivable	21,287	6.74	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	163,046	14.28	60 days after monthlv	-	-	Accounts payable	( 32,822)	( 46.09)	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	NAN YA POLYESTER FIBER (KUNSHAN) CORP.	Other related party	Purchases	126,957	11.12	60 days after monthlv	-	-	Accounts payable	( 28,958)	( 40.66)	

FORMOSA TAFFETA CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions												
			Transaction				(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA VIETNAM CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(\$ 139,711)	( 5.94)	60 days after monthly billings	\$ -	-	Accounts receivable	\$ 50,290	10.74	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	258,389	14.79	60 days after monthlv	-	-	Accounts payable	( 38,453)	( 19.22)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	( 377,718)	( 8.75)	60 days after monthlv	-	-	Accounts receivable	183,293	16.98	
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO.. LTD.	Other related party	Sales	( 170,501)	( 3.95)	60 days after monthlv	-	-	Accounts receivable	30,079	2.79	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Associate	Sales	( 103,649)	( 2.40)	60 days after monthlv	-	-	Accounts receivable	19,241	1.78	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	640,708	19.88	60 days after monthlv	-	-	Accounts payable	( 125,968)	( 53.94)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent companv	Purchases	431,076	13.38	60 days after monthlv	-	-	Accounts payable	( 77,968)	( 33.39)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORP.	Other related party	Purchases	154,038	4.78	60 days after monthlv	-	-	Accounts payable	( 17,451)	( 7.47)	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Other related party	Sales	( 116,810)	( 8.56)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	1,615	0.89	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: The transactions are disclosed by presenting revenues. The related transactions are not disclosed.

FORMOSA TAFFETA CO., LTD.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	\$ 103,585	3.46	-	-	\$ 46,493	-
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	183,293	3.41	-	-	70,496	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

FORMOSA TAFFETA CO., LTD.  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms		
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 1,395,375	Draw promissory notes due in 2 months after inspection		4.25
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	318,392	Draw promissory notes due in 2 months after inspection		0.39
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	163,800	Draw promissory notes due in 2 months after inspection		0.20

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The amount of transactions which is listed in the table is determined by its material.

FORMOSA TAFFETA CO., LTD.  
Information on investees  
For the year ended December 31, 2021

Table 6

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investment income (loss)  
recognized by the  
company for the year  
ended December 31, 2021  
(Note 2(3) )

Net profit (loss)  
of the investee for the year  
ended December 31, 2021  
(Note 2(2))

Initial investment amount

Shares held as at December 31, 2021

Balance as at  
December 31, 2021

Balance as at  
December 31, 2020

Number of shares

Ownership (%)

Book value

Investor

Investee  
(Notes 1 and 2)

Location

Main business activities

Footnote

FORMOSA TAFFETA CO., LTD.

FORMOSA DEVELOPMENT CO., LTD.

Taiwan

Handling urban land consolidation, development, rent and sale of industrial plants, residences and building

\$ 114,912

\$ 114,912

16,100,000

100.00

\$ 186,160

(\$ 12,652)

(\$ 14,846)

FORMOSA TAFFETA CO., LTD.

FORMOSA ADVANCED TECHNOLOGIES CO., LTD.

Taiwan

IC assembly, testing and modules

1,762,711

1,762,711

135,686,472

30.68

5,135,358

1,557,008

477,748

FORMOSA TAFFETA CO., LTD.

FORMOSA TAFFETA (HONG KONG) CO., LTD.

Hong Kong

Sale of spun fabrics and filament textile

1,356,862

1,356,862

-

100.00

1,202,931

26,029

26,029

FORMOSA TAFFETA CO., LTD.

FORMOSA TAFFETA VIETNAM CO., LTD.

Vietnam

Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carnets

1,709,221

1,709,221

-

100.00

2,095,015

37,801

37,801

FORMOSA TAFFETA CO., LTD.

QUANG VIET ENTERPRISE CO., LTD.

Taiwan

Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products

213,771

213,771

18,595,352

17.99

1,237,283

630,502

144,254

FORMOSA TAFFETA CO., LTD.

FORMOSA TAFFETA DONG NAI CO., LTD.

Vietnam

Production, processing and sale of various dyeing and finishing textiles and yarn

2,590,434

2,590,434

-

100.00

2,524,546

335,275

335,275

FORMOSA TAFFETA CO., LTD.

FORMOSA INDUSTRIES CORPORATION

Vietnam

Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation

1,987,122

1,987,122

-

10.00

1,825,888

1,402,858

140,286

FORMOSA TAFFETA CO., LTD.

SCHOELLER TEXTIL AG

Switzerland

Textile R&D, production and sales

1,285,507

1,285,507

21,874

50.00

1,030,378

( 277,882)

( 169,034)

FORMOSA TAFFETA CO., LTD.  
Information on investees  
For the year ended December 31, 2021

Table 6

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investment income (loss)  
recognized by the  
company for the year  
ended December 31, 2021  
( Note 2(3) )

Net profit (loss)  
of the investee for the year  
ended December 31, 2021  
(Note 2(2))

Initial investment amount

Shares held as at December 31, 2021

Balance as at  
December 31, 2021

Balance as at  
December 31, 2020

Number of shares

Ownership (%)

Book value

Investor

Investee  
(Notes 1 and 2)

Location

Main business activities

Footnote

FORMOSA  
TAFFETA CO.,  
LTD.

NAN YA  
PHOTONICS  
INCORPORATION

Taiwan

Manufacturing, installing,  
and supervising the engineer  
design of LED illumination  
systems/illumination  
arrangements

\$ 263,327

\$ 263,327

7,013,871

15.22

\$ 290,161

\$ 95,906

\$ 14,594

FORMOSA  
DEVELOPMENT  
CO., LTD.

FORMOSA  
ADVANCED  
TECHNOLOGIES  
CO., LTD.

Taiwan

IC assembly, testing and  
modules

21,119

21,119

469,500

0.11

17,577

1,557,008

1,868

FORMOSA  
DEVELOPMENT  
CO., LTD.

PUBLIC MORE  
INTERNATIONAL  
COMPANY LTD.

Taiwan

Employment service,  
manpower allocation and  
agency service etc

5,000

5,000

-

100.00

14,053

5,797

5,797

PUBLIC MORE  
INTERNATIONAL  
COMPANY LTD.

QUANG VIET  
ENTERPRISE  
CO., LTD.

Taiwan

Processing and production of  
ready-to-wear, processing  
and trading of cotton cloth,  
and import and export of the  
aforementioned products

1,069

1,069

10,000

0.01

1,070

630,502

75

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2021' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

FORMOSA TAFFETA CO., LTD.  
Information on investments in Mainland China  
For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021		Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 144,023	100.00	\$ 144,023	\$ 1,923,461	\$ 43,914		Note 3
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	24,149	100.00	24,149	1,091,320	-		Note 4
CHANG SHU YU YUAN DEVELOPMENT CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	2,379	40.78	970	17,478	-		Note 5

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: The amount of 'Investment income (loss) recognized by the Company for the year ended December 31, 2021 was derived from financial statements which were reviewed by independent auditors.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 and December 31, 2021 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 is US\$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2020 was US\$41,100,000.

Note 5: Chang Shu Yu Yuan Development Co., Ltd. was merged with Chang Shu Fushan Enterprise Management Co., Ltd. in the third quarter of 2015, Chang Shu Yu Yuan Development Co., Ltd. is the surviving company and its paid capital is RMB\$13,592,920.



Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,284,816	\$ 37,346,315
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,162,980	37,346,315

Note :

(1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.

(2)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000, FORMOSA TAFFETA (CHANG SHU) CO., LTD. was split up, reduced its paid-in capital and formed Chang Shu Fushun Enterprise Management Co., Ltd. Chang Shu Fushan Enterprise Management Co., Ltd. was terminated after the merger with Chang Shu Yu Yuan Development Co., Ltd. in the third quarter of 2015.

(3)The original currency of paid-in capital was translated at USD:TWD = 1:27.69

FORMOSA TAFFETA CO., LTD.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property		Accounts receivable		Provision of endorsements/guarantees		Financing					
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended	Balance at December 31, 2021	Interest rate	Interest during the year ended	Others	
									December 31, 2021			December 31, 2021		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 12,151	0.05	\$ -	-	\$ 5,982	0.26	\$ 913,440	For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -		
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	22,958	0.09	-	-	2,415	0.11	1,522,400	For short-tem loans from financial institutions	-	-	-	-		

FORMOSA TAFFETA CO., LTD.  
Information on Major Shareholders  
December 31, 2021

Table 9

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
FORMOSA CHEMICALS & FIBRE CORPORATION	630,022,431	37.40
CHANG GUNG MEDICAL FOUNDATION	97,599,254	5.79

**FORMOSA TAFFETA CO., LTD.**  
**STATEMENT OF CASH AND CASH EQUIVALENTS**  
**DECEMBER 31, 2021**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 1

Item	Description	Amount
Revolving funds		\$ 9,582
Cash on hand		81,795
Cash in banks—Check deposit		199,177
–Demand deposit		311,495
–Foreign exchange deposit	USD 2,069,245 dollars , exchange rate 27.68	57,276
	JPY 195,417,143 dollars , exchange rate 0.2405	46,997
	EUR 1,734,624 dollars , exchange rate 31.32	54,328
	HKD 49,009 dollars , exchange rate 3.549	174
	CHF 37,043 dollars , exchange rate 30.175	1,118
–Foreign time deposit	USD 3,000 thousand , Interest rate 0.2040 , exchange rate 27.68 , due date: 2022/1/3	83,040
	USD 4,000 thousand , Interest rate 0.2400 , exchange rate 27.68 , due date: 2022/1/12	110,720
	USD 3,000 thousand , Interest rate 0.2250 , exchange rate 27.68 , due date: 2022/1/14	83,040
	USD 3,000 thousand , Interest rate 0.1850 , exchange rate 27.68 , due date: 2022/1/5	83,040
	USD 3,000 thousand , Interest rate 0.2300 , exchange rate 27.68 , due date: 2022/1/19	83,040
	USD 3,000 thousand , Interest rate 0.2360 , exchange rate 27.68 , due date: 2022/1/7	83,040
	USD 1,800 thousand , Interest rate 0.1980 , exchange rate 27.68 , due date: 2022/1/10	49,824
	USD 2,000 thousand , Interest rate 0.2080 , exchange rate 27.68 , due date: 2022/1/17	55,360
	USD 2,500 thousand , Interest rate 0.2120 , exchange rate 27.68 , due date: 2022/1/21	69,200
	USD 2,000 thousand , Interest rate 0.2110 , exchange rate 27.68 , due date: 2022/1/24	55,360
	USD 4,000 thousand , Interest rate 0.2400 , exchange rate 27.68 , due date: 2022/2/10	110,720
	USD 2,000 thousand , Interest rate 0.2400 , exchange rate 27.68 , due date: 2022/2/14	55,360
	USD 2,000 thousand , Interest rate 0.2350 , exchange rate 27.68 , due date: 2022/1/26	55,360
	USD 3,000 thousand , Interest rate 0.2950 , exchange rate 27.68 , due date: 2022/3/24	83,040
	USD 4,000 thousand , Interest rate 0.2950 , exchange rate 27.68 , due date: 2022/3/28	110,720
	USD 2,000 thousand , Interest rate 0.1300 , exchange rate 27.68 , due date: 2022/1/11	55,360
	USD 2,000 thousand , Interest rate 0.1700 , exchange rate 27.68 , due date: 2022/1/28	55,360
	USD 2,000 thousand , Interest rate 0.2600 , exchange rate 27.68 , due date: 2022/3/30	55,360
	USD 2,000 thousand , Interest rate 0.0800 , exchange rate 27.68 , due date: 2022/1/6	55,360
	USD 3,000 thousand , Interest rate 0.1750 , exchange rate 27.68 , due date: 2022/2/8	83,040
Cash equivalents—Commercial Paper	0.21% , due date: 2022/1/3	65,994
	0.22% , due date: 2022/1/3	32,998
	0.22% , due date: 2022/1/3	46,990
		<u>\$ 2,383,268</u>

**FORMOSA TAFFETA CO., LTD.**  
**STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

**Statement 2**

Name of Financial Instrument	Opening balance		Additions		Reductions		Ending balance		Pledged as collateral	Note
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		
Current										
Formosa Chemicals & Fibre Corp.	12,169,610	\$ 866,180	-	\$ -	-	\$ -	12,169,610	\$ 866,180	None	
Formosa Plastics Corp.	640	28	-	-	-	-	640	28	None	
Nan Ya Plastics Corp.	482,194	34,077	-	-	-	-	482,194	34,077	None	
Pacific Electric Wire and Cable Co, Ltd.	35	-	-	-	-	-	35	-	None	
Asia Pacific Investment Corp.	10,000,000	100,000	-	-	-	-	10,000,000	100,000	None	
		1,000,285		-		-		1,000,285		
Valuation		409,532		79,634		-		489,166		
		<u>\$ 1,409,817</u>		<u>\$ 79,634</u>		<u>\$ -</u>		<u>\$ 1,489,451</u>		
Non-current										
Nanya Technology Corp.	7,711,010	\$ 2,507,232	-	\$ -	-	\$ -	7,711,010	\$ 2,507,232	None	
Formosa Petrochemical Corp.	365,267,576	5,655,893	-	-	-	-	365,267,576	5,655,893	None	
Toa Resin Corporation Limited	14,400	3,000	-	-	-	-	14,400	3,000	None	
Syntronix Corp.	191,885	3,235	42,281	550	-	-	234,166	3,785	None	
Shin Yun Gas Co., Ltd.	789,000	3,100	63,120	-	-	-	852,120	3,100	None	
WK Technology Fund IV Limited	1,348,731	-	-	-	( 1,011,548)	-	337,183	-	None	Note 1
NKFG	5,540,000	55,400	-	-	-	-	5,540,000	55,400	None	
Formosa HA TINH (CAYMAN) LIMITED	209,010,676	6,241,045	-	-	-	-	209,010,676	6,241,045	None	
FG INC	600	341,336	-	-	-	-	600	341,336	None	
		14,810,241		550		-		14,810,791		
Valuation		25,222,520		478,767		-		25,701,287		
		<u>\$ 40,032,761</u>		<u>\$ 479,317</u>		<u>\$ -</u>		<u>\$ 40,512,078</u>		

Note 1: The company reduced 75% of its capital and refunded to its shareholders, the Company received \$10,115. As the refunded amount was over the cost of the investment, it was shown as other revenue in the statement of comprehensive income.

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

Client Name	Description	Amount	Note
Cheng Shin Rubber Ind., Co., Ltd.		\$ 304,776	
MRF		141,828	
BUMBLEBEE		115,733	
			The balance of each
			customer has not exceeded
Others		1,538,992	5% of the account
		2,101,329	
Less: Allowance for bad debts		( 31,678)	
		<u>\$ 2,069,651</u>	

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 462,340	\$ 486,064	
Supplies		67,415	66,229	
Work in progress		1,819,227	1,994,984	
Finished goods		2,052,936	1,733,349	
Merchandise inventory		214,886	214,886	
Inventory in transit		125,281	125,281	
Outsourced processed materials		100,266	100,266	
		4,842,351	\$ 4,721,059	
Less : Allowance for valuation loss		( 450,258)		
		\$ 4,392,093		

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Name	Beginning Balance		Additions		Reductions		Ending Balance			Market price of value per share		Collateral	Note
	Shares in thousands	Amount	Shares in thousands	Amount	Shares in thousands	Amount	Shares in thousands	Ownership (%)	Amount	Price (in NTD)	Total price		
Formosa Advanced Technologies Co., Ltd.	135,686	\$ 4,985,980	-	\$ 477,747	-	(\$ 328,369)	135,686	30.68	\$ 5,135,358	39.10	\$ 5,305,341	None	
Formosa Taffeta Dong Nai Co., Ltd.	-	2,218,410	-	339,976	-	( 33,840)	-	100.00	2,524,546	-	2,524,546	None	
Formosa Industries Corp.	-	1,972,294	-	140,286	-	( 286,692)	-	10.00	1,825,888	-	1,825,888	None	
Formosa Taffeta (Zhong Shan) Co., Ltd.	-	1,841,916	-	144,023	-	( 62,478)	-	100.00	1,923,461	-	1,923,461	None	
Formosa Taffeta Vietnam Co., Ltd.	-	2,086,772	-	38,858	-	( 30,615)	-	100.00	2,095,015	-	2,095,015	None	
Formosa Taffeta . (Hong Kong) Co., Ltd	-	1,185,421	-	26,029	-	( 8,519)	-	100.00	1,202,931	-	1,202,931	None	
Quang Viet Enterprise Corp.	18,595	1,166,522	-	145,167	-	( 74,406)	18,595	17.99	1,237,283	130.50	2,426,693	None	
Formosa Development Co.,Ltd	16,100	221,926	-	2,194	-	( 37,960)	16,100	100.00	186,160	-	186,160	None	
Scheoller Textil AG	22	1,270,603	-	-	-	( 240,225)	22	50.00	1,030,378	-	1,030,378	None	
Nan Ya Photonics Inc.	7,014	196,554	-	110,162	-	( 16,555)	7,014	15.22	290,161	-	290,161	None	
		<u>\$ 17,146,398</u>		<u>\$ 1,424,442</u>		<u>(\$ 1,119,659)</u>			<u>\$ 17,451,181</u>		<u>\$ 18,810,574</u>		



FORMOSA TAFFETA CO., LTD.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

Creditor	Description	Amount	Contract Period	Interest Rate	Collateral	Note
Hua Nan Bank	Credit loans	\$ 1,000,000	2021/10/06~2023/01/15	0.83%	None	
Mizuho Corporate Bank	Credit loans	1,600,000	2021/08/13~2023/08/13	0.77%	None	
E. Sun Bank	Credit loans	200,000	2020/12/15~2023/12/14	0.85%	None	
China Trust Bank	Credit loans	500,000	2021/09/09~2023/09/09	0.84%	None	
Taipei Fubon Bank	Credit loans	1,500,000	2021/03/12~2023/03/12	0.73%	None	
Bangkok Bank	Credit loans	200,000	2021/12/03~2023/12/01	0.85%	None	
MUFG Bank	Credit loans	800,000	2021/07/13~2023/07/13	0.81%	None	
First Bank	Credit loans	1,000,000	2021/10/06~2023/10/06	0.79%	None	
Far Eastern International Bank	Credit loans	700,000	2020/08/20~2023/08/10	0.83%	None	
Mega International Commercial	Credit loans	1,000,000	2021/07/21~2023/07/21	0.83%	None	
HSBC	Credit loans	1,200,000	2021/08/16~2023/08/16	0.78%	None	
		<u>\$ 9,700,000</u>				

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 7

Item	Quantities	Amount	Note
Sale revenue			
Fabrics & dyeing			
Plant of woven and dyeing	87,633,915 Yard	\$ 6,665,773	Filament
Plant of 6th dyeing	1,892,780 Yard	39,990	Dyeing
Plant of tyre cord	28,542,880 KG	5,158,385	Tyre cord
Plant of PE bags	3,759,032 KG	244,437	PE bags
Plant of cotton fibers	13,355 PC	526,698	Yarn count
Plant of special finished fabrics	5,252,065 Yard	530,779	Special finished fabrics
Plant of carbon fibers	1,288,626 Meter	347,535	Carbon Fibers
Petroleum products	426,794,452 KL	10,811,503	Gasoline
		24,325,100	
Less : Sales returns and allowance		( 18,509)	
Sales discount		( 14,324)	
		24,292,267	
Service revenue		197,814	
		<u>\$ 24,490,081</u>	

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 8

Item	Summary	Amount	Note
Raw materials used			
Beginning raw materials		\$ 634,622	
Raw materials purchased		8,334,850	
Ending raw materials	(	687,887)	
Transferred to manufacturing expense	(	397,672)	
		<u>7,883,913</u>	
Supplies			
Beginning supplies		54,062	
Supplies purchased		1,237,344	
Ending supplies	(	67,415)	
Transferred to manufacturing expense	(	1,198,426)	
		<u>25,565</u>	
Direct materials		7,912,478	
Direct labor		926,137	
Manufacturing expense		<u>3,590,982</u>	
Manufacturing costs		12,429,597	
Beginning work in Progress		1,454,901	
Ending work in Progress	(	1,819,227)	
Cost of finished goods		12,065,271	
Beginning finished goods		2,074,777	
Ending finished goods	(	2,052,936)	
Cost of goods manufactured and sold		<u>12,087,112</u>	
Beginning merchandise inventories		236,878	
Net purchases for the year		9,469,013	
Ending merchandise inventories	(	214,886)	
Cost of goods sold from purchase		<u>9,491,005</u>	
Cost of inventories sold		21,578,117	
Add : Inventory shortage and disposal of scrap		49,989	
Less : Gain on inventory valuation	(	167,630)	
Cost of goods sold		21,460,476	
Service cost		<u>180,006</u>	
		<u>\$ 21,640,482</u>	

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF MANUFACTURING EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

Item	Summary	Amount	Note
Utilities		\$ 793,404	
Indirect labor		588,450	
Depreciation		559,041	
Repair and maintenance expense		311,562	
Main indirect materials		232,446	
Steam expense		186,687	
			The balance of each item has not exceeded 5% of the
Others		919,392	Manufacturing expense
		<u>\$ 3,590,982</u>	

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

Item	Summary	Amount	Note
Salary and Wages		\$ 607,309	
Shipping expenses		277,218	
Depreciation		194,702	
			The balance of each item has not exceeded 5% of the
Others		349,508	Selling expense
		<u>\$ 1,428,737</u>	

FORMOSA TAFFETA CO., LTD.  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

Item	Summary	Amount	Note
Salary and Wages		\$ 231,693	
Entertainment expense		42,838	
Utilities		39,623	
Repair and maintenance expense		36,527	
			The balance of each item has not exceeded 5% of the
Other		204,563	Administrative expense
		<u>\$ 555,244</u>	

FORMOSA TAFFETA CO., LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

Function Nature	Year ended December 31, 2021			Year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 1,396,098	\$ 785,649	\$ 2,181,747	\$ 1,320,950	\$ 766,018	\$ 2,086,968
Labour and health insurance fees	158,183	80,430	238,613	154,723	76,185	230,908
Pension costs	58,611	35,632	94,243	63,810	36,940	100,750
Directors' remuneration	-	4,640	4,640	-	4,520	4,520
Other personnel expenses	63,438	18,921	82,359	65,914	18,012	83,926
Depreciation (including Right-of-use assets and investment property)	559,041	249,071	808,112	533,163	267,919	801,082

Note :

1. As at December 31, 2021 and 2020, the Company had 4,338 and 4,533 employees, including 8 and 8 non-employee directors, respectively.
  2. A company whose stock is listed on the Taiwan Stock Exchange shall additionally disclose the following information :
 

Average employee benefit expense in current year \$599,760 (in dollars).  
('total employee benefit expense for the year -total directors' remuneration'/ 'the number of employees in the current year- the number of non-employee directors)

Average employee benefit expense in previous year \$553,050 (in dollars).  
('total employee benefit expense for the previous year -total directors' remuneration'/ 'the number of employees in the previous year- the number of non-employee directors)
  3. Average employees salaries in current year \$503,868 (in dollars).  
('total salaries and wages for the current year/ 'the number of employees in the current year- the number of non-employee directors')
- Average employees salaries in previous year \$461,208 (in dollars).  
('total salaries and wages for the previous year/ 'the number of employees in the previous year-the number of non-employee directors')

FORMOSA TAFFETA CO., LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

4. Adjustments of average employees salaries 9.25%.

('the average employee salaries and wages for the current year-the average employee salaries and wages for the previous year'  
/'the average employee salaries and wages for the previous year')

5. The Company has established an audit committee in lieu of a supervisor and there is not applicable to disclosure the information of supervisors' remuneration.

6. The Company's compensation policies:

(1) The directors' compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance:

A. Article 18 of the Company's charter stipulates that the Board of Director is authorized to determine the compensation for the directors, taking into the extend and value of the service provided for the management of the company and the standards of the industry.

B. Article 30 of the Company's charter stipulates that should the Company turn in profit in a specific year, provision should be made for bonus payout, equivalent to 0.05% to 0.5% of pretax profit, before deduction of compensations for employees and directors, for employees and up to 0.5% for directors.

(2) The executive officers compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance:

A. The total compensation paid to the executive officers is decided based on their performance, contribution of the operation, the standards of the industry and projected future risks the Company will face. It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.

B. Article 30 of the Company's charter stipulates that should the Company turn in profit in a specific year, provision should be made for bonus payout, equivalent to 0.05% to 0.5% of pretax profit, before deduction of compensations for employees and directors, for employees and up to 0.5% for directors.



FORMOSA TAFFETA CO., LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

- (3) The employees compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance:
- A. The total compensation paid to the employees is decided based on their individual performance, contribution of the Company's strategic objectives, industry practice and projected future risks the Company will face. The Company provide various career development, bonus and training for employees with excellent performance and development potential. Also, the Company select the talent employee through fair promotion system and offer higher position and responsibility and comparatively generous compensation in order to drive the upward development.
- B. Article 30 of the Company's charter stipulates that should the Company turn in profit in a specific year, provision should be made for bonus payout, equivalent to 0.05% to 0.5% of pretax profit, before deduction of compensations for employees and directors, for employees and up to 0.5% for directors.