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Formosa Taffeta Co., Ltd.

2021 Annual Report

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

Compiled by Formosa Taffeta Co., Ltd.

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Inquiry about the Annual Report

Market Observation Post System: mops.twse.com.tw

Corporate website: www.ftc.com.tw

A. Names, job titles, contact phone numbers, and e-mail addresses of spokesperson and acting spokesperson

Name of spokesperson: *Lee Ming-Chang*

Title: President

Tel.: (02)8770-1688

e-mail address: u000686@ftc.com.tw

Acting spokesperson: *Cheng Hung-Ning*

Title: Deputy Assistant Vice President, general management

Division Tel: (05)5573966

e-mail address: u133232@ftc.com.tw

B. Addresses and telephone numbers of headquarters, offices and factories

Headquarters and offices: No. 317, Shuliu Road, Touliu, Yunlin County, Taiwan, ROC

Tel: (05)5573966

Office: 11th fl., No. 201, Dunhua N. Road, Songshan District, Taipei, Taiwan, ROC

Tel.: (02)8770-1688

C. Name, address, website, and telephone number of stock-transfer institution

Name: stock affairs section, Formosa Taffeta Co., Ltd.

Address, 1st fl., rear building of Formosa Plastics Building, No. 201, Dunhua N. Road, Songshan District, Taipei, Taiwan, ROC Website:

Nil

Tel. (02) 2718-9898

D. Name, address, website, and telephone number of name of certified public accountant and of accounting firm for the financial state of the latest year

Names of CPAs: Wu Han-chi, Liang Hua-ling

Name of accounting firm: PwC Taiwan

Address: 27th fl., No. 333, Keelung Road, section 1, Taipei Website:

www.pwc.com/tw

Tel.: (02)2729-6666

E. Name of site for transaction of overseas securities and method for inquiry about the overseas securities: Nil

F. Corporate website: <http://www.ftc.com.tw>

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I. Report to shareholders

A. 2021 Business Performance

The Company's consolidated revenue grew by 13.95%, from NT\$28,783.49 million in 2020 to NT\$32,799.01 million in 2021, an increase of NT\$ 4,015.52 million, with consolidated pretax profit increasing by 5.52%, from NT\$ 2,262.56 million to NT\$2,387.36 million, an increase of NT\$ 124.8 million.

2021 was a tumultuous year for the Company, thanks to continuation of raging pandemic, loose monetary policy worldwide, causing devaluation of US dollar and steep price hikes of raw materials, freight, and energy, change in people's lifestyle, including remote working, sharp drop in international travel, sports events, and social gatherings, which led to popularity of at-home apparel and change in demands for woven and knitted fabrics. Fortunately, light has been visible at the end of tunnel, due to increasing vaccination, gradual opening up in the U.S. and Europe, alleviation of pandemic, jacking up industrial demands, and earlier advent of winter, which increased demands for down jackets and other winter jackets. In 2021, the Company's revenue and core-business profits both grew, the latter of which increased 5.52%, despite reduction in stock-dividend income.

B. 2021 The company's business plan summary, company development strategy in future, Influenced by the external competition environment, regulatory environment and overall business environment.

(A) Filament woven and dyed fabrics:

There are four end markets for the Company's filament woven fabrics: outdoor performance wear, sportswear, casual wear, and umbrella. The operations in Vietnamese and China plants were beset by pandemic-related restrictions and energy-consumption limitation, respectively, from the second quarter of 2021, which didn't resume normal state until the fourth quarter. In general, thanks to increasing vaccination and gradual lifting of lockdown, demands had resurged and outings had increased in 2021, inducing growth in textile and apparel consumption and reducing market inventory, which prompted brand vendors to replenish inventory, raising overall order volume. As a result, the company's 2021 revenue and profits grew significantly over 2020.

In 2022, the market may still be overshadowed by multiple uncertainties, including the threat of virus variants on economic recovery and continuing disruption of global trade by pandemic, which may lead to postponed delivery and price hikes of freight, raw materials, and energy, plus exchange-rate fluctuation. Consequently, the Company has to intensify its collaboration with suppliers, develop various environment-friendly fabric, and attain more efficient coordination in capacities and product mix to maximize synergy.

In 2022, the Company will deepen its strategic partnership with international brand customers, intensify the development of high value-added differentiated niche products, push digital marketing and integrated operating platform for new product development and brand projects, in combination with video conferences with customers, continue process improvement, cutting failure cost, energy consumption, and waste output, optimize dyeing module via AI, increasing first-time success rate for dyeing, and shorten delivery via integration of fabric demands by brands and concentration of supply-chain production, thereby augmenting growth momentum and competitiveness and sustaining business growth.

(B) Tire cord fabric

Affected sharp price hike of raw materials and freight, major tire manufacturers raised tire prices in 2021, despite decline in downstream demands, due to output reduction of automakers caused by chip shortfall and damped purchasing power of consumers amid inflation. However, the demand for high-end bicycle tires remained strong, boosting the share of fine-denier products. Despite the drop in sales volume by 6.7%, the tire cord fabric of 2021 revenue still advanced 15.8%, thanks to increased share of high-value added products and price hike, induced by higher materials costs, with profits also rising significantly.

In 2022, given alleviation of shortfall in filament supply, although prices expected to remain high in the first half, global tire fabric supply will increase and spark acute market competition. In response, the Company will intensify coordination between Taiwan and Vietnam plants in production and sales and increase share of high-margin products, thereby augmenting competitiveness.

(C) Gas station

As of the end of 2021, Formosa Petroleum Station had had 105 gas stations, making it the fifth largest gas-station brand in Taiwan. With the increasing vaccination coverage and gradual lifting of lockdown in the U.S and Europe, global demand for oil rose slightly, jacking up oil prices, as a result of which revenue and profits of Formosa Petroleum Station both grew in 2021.

Although outings have dropped significantly during the pandemic, Formosa Petroleum Station has remained profitable, thanks to good services, marketing, and management. Over the past years, Formosa Petroleum Station has been weeding out underperforming stations via evaluation of each station performance, locations, and lease duration, in the hope of boosting margin. In addition, given fluctuation in international oil prices, the company has intensified control of oil-tank storage level flexibly.

The number of gas stations with self-service are 92, accounting for 88% of totaling, and will be

increased further, according to performance. Efforts will be intensified to increase the number of contracted customers with monthly settlement of bills, including enterprises and owners of agricultural or engineering machines. Efforts have been made to diversify income sources, such as car-washing service at gas stations and sales of leisure and travel products and auto accessories via B2C channel. Formosa Petroleum Station has been continuously offering various training courses, such as SOP, 5S, and TPM to station workers, in order to attain public safety, quality service, and standardized management, thereby creating a convenient and safe oil-filling and consumption environment for customers.

In 2022, Formosa Petroleum Station plans to gradually introduce plural payment methods, carry out specific marketing programs, and launch new stations, as a result of which oil-sales volume is expected to score small growth, although revenue hinges on international oil price level.

(D) Cotton yarn

Although the recovering demands from the U.S., European, and Japanese markets, the operation of the Company's cotton yarn plant was beset by multiple adverse factors, including soaring raw materials prices and record-high freight costs in 2021. Fortunately, with the success in improving its product mix, the cotton-yarn's revenue jumped 31% in 2021, when its profits soared 227%.

In 2022, the Company's cotton-yarn revenue and profits are expected to grow further, thanks to consolidation of existing industrial yarn business and product-mix optimization, including further increase in the output of composite yarn, following installation of new machines.

(E) Special textiles

In 2021, profits from special fabrics shot up 92%, as domestic sales of anti-epidemic isolation-gown fabric and fabric for sterile gowns shipped to European vaccine plants jumped near 50%, shipment of anti-static fabric hit new high, exports of fireproof fabric for petroleum work clothes to the Middle East grew slightly, compared with drop in export to Southeast Asia, due to the effect of pandemic, and sales of fabric for uniforms of servicemen, policemen, and fire fighters remained flat.

In 2022, given price hikes for raw materials, freight, and spun yarn, market of Nomex high-tier fireproof will be polarized, with demands focusing on high-priced products or low-priced ones. To meet different needs of customers, the Company will develop low- to-medium priced products and introduce flexible fabric, moisture-absorbing comfortable fabric, plus usage of environment-friendly materials and auxiliary agents, in line with expectation of major brand customers for sustainable development, thereby sidestepping price competition among peers.

(F) Carbon-fiber composite material

Amid rampant pandemic in 2021, the carbon-fiber composite material plant managed to turn around its operation, with revenue soaring 91%, in 2021, thanks to sales of its processing materials to manufacturers of exercise equipment bicycles, yachts/ships, drones, construction reinforcement, and high value-added robotic arms, both in Taiwan or abroad, development of fast-forming prepreg fabric for shipment to Taiwanese bicycle-rim manufacturers, penetration of refitted-car parts market in China and exercise-equipment market in Pakistan, via collaboration with local dealers, and collaboration with bicycle manufacturers for developing new resin, for supply to Vietnamese customers.

Sales of the carbon-fiber composite materials are expected to grow in 2022, when domestic demands for 3K carbon-fiber fabric are expected to remain stable and the company will tap Chinese market, in collaboration with customs, plus plan to develop specialty fabrics, expand supply of prepreg fabric, and sell multi-axis fabric to domestic yacht makers.

(G) Plastic bag

In 2021, shipment of plastic bags to Japan, with a dominant 79% share, dropped, due to the ban on free vest bags from July, 2020, and sales to Chile also tumbled, a result of lockdown and border closure amid COVID-19 pandemic. Consequently, revenue and profits of plastic processing plant both declined in 2021.

The plastic bag sales are expected to grow in 2022, thanks to shutdown of a Chinese vest-bag manufacturer at the end of 2021, prompting its Japanese buyers to shift their orders to the Company and other two suppliers. The company will keep track on the change in raw materials prices and in the exchange rate of Japanese yen to raise its profits.

Without a single case of infection in Taiwan plant between 2020 and 2021, the Company will continue carrying out the precautionary measures to maintain normal operation and on-time delivery, while tapping the market of anti-epidemic medical-care fabrics, and consolidating international supply chain, addressing climate-change issue, and assuring smooth production and sales. The Company will intensify collaboration with affiliate Schoeller Textil AG of Switzerland at full scale, including innovation, R&D, production, and marketing.

Share of filament featuring environment-friendly recyclable material for the Company's mainstream product filament dyed fabric has been on the rise recent years, reaching 43.6% in 2021. Meanwhile, the Company has intensified effort in environmental protection, corporate governance, and corporate social responsibility, marching toward the ESG (environment, social, and governance) realm, in compliance with universal value of environmental protection, assuring product and environment sustainability.

The company will continue to carry out various improvement programs, invest in new capacities and new technologies, flexibly adjust the division-of-labor in marketing and production among the five plants in Taiwan, China, and Vietnam, and make strenuous efforts to remove failure cost, enhance first-time success rate, increase product value, attain consistent standards, seek sophisticated quality, attain punctual delivery, and augment synergy.

Despite uncertain pandemic outlook in 2022, expanding vaccination is expected to contain the plague, paving the way for resumption of normal business activities. Via adherence to various effective measures, the company will strive to attain performance targets, co-prosperity with supply-chain partners, and win-win outcome with customers, creating expanded investment returns for shareholders and materializing the corporate vision.

II. Company profile

A. Incorporation date

April 19, 1973

B. Company history

Founded by Formosa Chemicals & Fibre Corp. and a few of business figures from Changhua County, Taiwan, the Company was incorporated on April 19, 1973, initially named "Formosa Fiber Co., Ltd.," for engagement in the weaving, dyeing, finishing, and printing of polyamide and polyester filament woven taffeta fabric. Renamed as Formosa Taffeta Co., Ltd. in Jan. 1979, the company was listed in Dec., 1985 on Taiwan Stock Exchange, which has been enlarged in subsequent years, via several capital increments with earnings to fund business diversification. The company's registered capital reached NT\$16,846,646,370 since August, 2006. Major products cover filament polyamide/polyester dyeing-and-finishing fabric, fabrics for down-proof jacket, water-proof with vapor permeable fabric, composite organic fabric, multi-function smart temperature-control fabric, umbrella fabric, staple woven/ knitted yarn, tire cord, PE. bag, bullet/stab-proof fabric, flame-retardant fabric for military/police/firefighters, medical/ protective fabric, anti-static barrier for clean room garment/ anti-bacterial fabric, conductive fabric, carbon-fiber fabric and composite materials, and gas stations. Formosa Taffeta Co., Ltd. has become a world-class manufacturer, in terms of both production scale and quality, of polyamide and polyester filament woven fabric, notably in the fields of sportswear and outdoor functional clothes, progressing in sync with fashion current and the development of major international textile brands.

- 1972 Founders Wang, Yung-Chin; Wang Yung-tsai; Lai, Shu-Wang and Hsieh Shih-ming formed a preparatory office for the establishment of factories producing chemical polyamide filament and polyester weaving fabric, dyeing and finishing, and printing.
- 1973 Approved by the Ministry of Economic Affairs, Formosa Fiber Co., Ltd. came into being, with Lai, Shu-wang as chairman of the Board and Hsieh Shih-ming as president. Recruitment started in August, and the company sent the staff to Formosa Chemicals & Fibre Corp. and weaving machine company in Japan for internship. Ground was broken in Nov. for the construction of factories.
- 1974 Test run of factories in Sept.
- 1975 Official inauguration in Jan.
- 1977 Expansion of printing plant, for the production of flat and rotary printing fabric umbrella cloth.
- 1978 Expansion of 1st weaving fabric plant with addition of warping machine, sizing frame, beaming machine and weaving machine, making it an plant with integrated weaving operation.
- 1979 Approval for name change to Formosa Taffeta Co., Ltd. in Jan.; expansion of weaving fabric plant and 2nd dyeing and finishing plant, and establishment of umbrella ribs plant, doubling the output of taffeta fabric and diversifying operation with the addition of umbrella ribs plant.

- 1980 Construction of tire-cord plant with monthly capacity of 600 tons, leading to further diversification of the company's operation.
- 1981 Construction of new tire-cord plant, boosting total capacity to 14,400 ton/year, and expansion of the machinery equipment of umbrella ribs plant.
- 1982 Installation of automated equipment and capacity at dyeing and printing plant.
- 1983 Setup of 2nd weaving fabric plant, with annual capacity of 60 million yards of grey cloth for dressing materials.
- 1984 Setup of 3rd dyeing plant and PE bag Plastics Processing Plant.
- 1985 Setup of function-oriented units, for the first time ever, including 1st production division (for long-fiber fabric), business division, and 2nd production division (tire cord, umbrella ribs, and PE bag); expansion of the president's office, in charge of regular management works, instead of merely auditing and statistics works in the past; installation of first Oil and electricity cogeneration motors; share listing in Taiwan on Dec. 24, with IPO price set at NT\$19.5 per share, transforming the company into a public company, a milestone in the development of the company.
- 1986 Setup of financial division in July, investment in the construction short-fiber cotton spinning plant, cotton weaving plant, cotton dyeing plant featuring integrated operation, greatly boosting the scale of diversification via the blending of long- and short-fiber fabrics; expansion of printing equipment at 2nd dyeing plant of 1st production division and the equipment of 2nd weaving plant.
- 1987 Organizational reshuffle in May with setup of 1st, 2nd, and third business divisions, in place of original function-oriented production divisions and business division, pushing of profit-center system for business divisions, which are responsible for both production and marketing performance; installation of special processing machinery equipment and construction of warehouses for finished products.
- 1988 Construction of second set of waste treatment equipment and expansion of the machinery equipment of tire cord plant; registration of "Abletex" trademark for water-proof/moisture-vapor fabric, initiating multi-brand marketing.
- 1989 Setup of second set of oil and electricity cogeneration motors and PVA resin for weaving recycling system at cotton dyeing plant. Reshuffle of Hong Kong subsidiary in September, renamed as Formosa Taffeta (H.K.) Co., Ltd. in April, with paid-in capital of HK\$7 million, as the company's first overseas sales overseas office, mainly for reception of transshipment orders, taking over agency business in Hong Kong and Macao gradually, plus preparation for setup of factories in mainland China.
- 1990 Setup of first Automatic Storage System for gray and construction of an eight-story dormitory. Investment in the founding of Formosa Advanced Technologies Co., Ltd. with paid-in capital of NT\$200 million, in Hsinchu Science Park in Sept. for the production of cathode power supply components and molybdenum sheets, and investment in the founding of Formosa Development Co., Ltd. with paid-in capital of NT\$100 million, in Douliu City of Yunlin County for engagement in land rezoning and development.
- 1991 Installation of special fabric equipment, expansion of umbrella ribs plant equipment, and setup of fifth dyeing plant; setup of Xiamen representative's office by Hong Kong subsidiary, the company's first business establishment in mainland China, servicing

- Taiwanese umbrella firms in Fujian; actively assisting Formosa Plastics Group to obtain land dubbed the the nation's sixth naphtha cracking complex in the area of Mailiao township Yunlin county, including shallow-sea culture area.
- 1992 Acquisition of near 5% stake in Formosa Petrochemical Corp., following the latter's founding in April. Formation of committee for expansion of the 2nd plant premises in Neilinduan of Yinlin County, expansion of the capacity of 2nd tire-cord plant premises by 1,300 tons/month, and setup of PVA resin for weaving recycling system at 2nd weaving fabric plant. In Oct. Founding of " F.T.C. INTERNATIONAL s.r.l " in COMO, Italy with paid-in capital of 1 billion liras, for engagement in cloth trading in Europe. In Dec., investment in the founding of three subsidiaries in Shenwan township, Zhongshan City of Guangdong Province in China. for production of tire cord (Syn-Formosa Textile Industrial Co.,Ltd.), chemical-fiber fabric (Syn-Formosa Textile (Zhong Shan) Co.,Ltd.), and umbrella ribs (Syn-Formosa Indusrtila (Zhong Shan) Co.,Ltd.), with initial total investment reaching US\$28.4 million, US\$28.4 million, and US\$3 million, respectively, and the registered capitals are US\$11.2 million, US\$11.2 million, and US\$2.1 million, respectively.
- 1993 Setup of Formosa (Xiamen) Drawing Co., Ltd. for engagement in drawing of patterns, including patterns for umbrella cloth and PE bag, as well as fabric trading.
- 1994 Change of umbrella ribs plant to steel coil processing plant; change of the registered investor of the three subsidiaries in Zhongshan City to Hong Kong subsidiary and increase of paid-in capital of one Formosa industrial(Zhongshan)Co.,Ltd. to US\$1.47 million to fund construction of plant, which started test run in Dec; founding of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., with registered capital of US\$500,000, in Aug.; signing of ISO assistance plan with China Productivity Center for pushing ISO certification.
- 1995 Setup of textile industrial development center in Feb., putting under its auspices R&D staffers at various plants and departments, to intensify development of new fabrics and support business staffers in sales campaign. Acquisition of near 15% stake in Nanya Technology Corp. following its founding in March, before gradual drop to less than 1% over the past years. 3rd dyeing plant, sixth dyeing plant, and tire-core plant passing ISO9002 certification. Renaming of three Chinese subsidiaries (Syn-Formosa Textile Industrial Co.,Ltd.→ Formosa Chemical Fiber (Zhong Shan)Co.,Ltd.) along with cash capital increment of total investment of US\$1.64 million, with registered capital reaching US\$1.43 million, unbuilt factory; (Syn-Formosa Textile (Zhong Shan) Co.,Ltd. → Formosa Textile (Zhong Shan)Co.,Ltd.), with cash capital increment of total investment of US\$9.1 million, with registered capital reaching US\$4.75 million to fund plant construction, (Syn-Formosa Industrial (Zhong Shan) Co.,Ltd.→ Formosa Industrial (Zhong Shan)Co.,Ltd.) with two cash capital increments and registered capital totaling US\$2.25 million in scale, for mass production of umbrella ribs.
- 1996 Installation of 903 water-jet looms and other related new equipment at third section of 1st weaving fabric plant in Neilinduan; Moving of Formosa Advanced Technologies Co., Ltd. to Douliu City, along with its transformation into a plant with integrated operation, thanks to the installation IC assembly line, as well as capital reduction before capital

- increment to NT\$1 billion; mass production of silk cloth and umbrella cloth at the dyeing and finishing plant of Formosa Textile (Zhongshan) Co., Ltd.; mass production of umbrella ribs at Formosa Industrial (Zhongshan) Co., Ltd., with annual capacity reaching 7,200 tons.
- 1997 Installation of second automated storage system for gray and new dyeing machines, increasing capacities by 52.32 million yards/year. Acquisition of Formosa (Xiamen) Drawing Co., Ltd. by Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. before write-off, with registered capital reaching US\$570,000.
- 1998 Following passing away of Lai Shu-wang, then chairman and a founder, at 90 in Feb., the board of directors elected Wong Wen-yuan to be the new chairman; completion of expansion project with 58.8 million yards/year in scale for processing plant; formation of petroleum business segment preparatory office; full-scale mass production of Polyamine fabric and polyester fabric by Formosa Textile (Zhong shan) Co., Ltd., furnished with 600 looms, featuring integrated operation for weaving, dyeing, and printing, and install two sets of generators; transfer of remaining equipment at steel coil processing plant to Formosa Industry (Zhong shan) Co., Ltd., boosting the latter's capacity to 14,400 tons/year. still retains part of its sales and service business for 3 years in Taiwan.
- 1999 Acquisition of Ruiyuan Vietnam Co., Ltd., a trouser fabric manufacturer, in Feb. before its transformation to Formosa Taffeta Vietnam Co., Ltd. in Long-An Province of Vietnam in June, with registered capital of US\$25 million, for engagement in the production of trouser fabric and dyed chemical-fiber fabric; formation of petroleum business division and setup of gas stations in Changyi Kuaikuan, and Chihsiang, marking foray into B2C retail business for the first time.
- 2000 Renaming of Formosa Textile (Zhongshan) Co., Ltd. to Formosa Taffeta (Zhong shan) Co., Ltd., in preparation for cross-line acquisition; passage of dividend payout policy by shareholders' meeting in June, calling for appropriation of at least 50% of earnings after deduction of legal provisions, compensations for directors and supervisors, and employee bonus for payout of dividends, half of which should be in the form of cash.
- 2001 Setup of Schoeller FTC (Hong Kong) Co., Ltd., as a 43:57 joint venture with Schoeller Textil AG of Switzerland, for engagement, Be the first one in Taiwan, in the production of electromagnetic shielding fabrics; Establishment of 21 new gas stations; cash capital of total investment of US\$ 30.3 million, with the registered capital of US\$12 million by Formosa Taffeta (Zhong shan) Co., Ltd., to fund installation of 605 looms and dyeing and finishing equipment at 2nd weaving fabric plant, which was recorded by the competent authority in July, 2002; cash capital increment of US\$14 million by Formosa Taffeta Vietnam Co., Ltd., to fund installation of 632 looms, along with warping machine, sizing machine, dyeing and finishing, water treatment equipment.
- 2002 Setup of 17 new gas stations, including that in Shetou; established a joint venture with Nan Ya Plastic Corp. and King Car Industrial Co., of Formosa Industries Corp., holding 10% stake; expansion in the development of plot of land and facilities for its plant in Nhon Trach industrial zone in Vietnam.
- 2003 To expand sources for orders for fabric from clothes brands, the company spent NT\$85 million to subscribe to 5 million new shares in the cash capital increment of Quang Viet

- Enterprise Co., Ltd., holding 24.49% stake; invitation for the company, the first among non-Japanese firms in Asia, to attend the Premiere Vision-Paris fair; installation of 14 new gas stations, including Nan Ya gas station; establishment of Shanghai representative's office by Formosa Taffeta (Zhong shan) Co., Ltd.; establishment of 12"-wafer assembly plant and module production line by Formosa Advanced Technologies Co., Ltd.
- 2004 Setup of oversea filament division in Feb., to oversee the operation of plant premises in China and Vietnam; installation 22 new gas stations, including Nankan gas station; investment in the establishment of Formosa Taffeta Dong Nai Co., Ltd., with registered capital of US\$12 million, in Nhon Trach industrial zone 3 in Vietnam; installation of chafing-proof tire cord equipment, with annual capacity of 3,240 tons, at tire cord plant in Aug.; acquisition of Formosa Industrial (Zhong shan) Co., Ltd. and Formosa Chemical Fiber (Zhong shan) Co., Ltd. by Formosa Taffeta (Zhong shan) Co., Ltd. in Dec., whose total investment reached to US\$106.24 million, and the registered capital rose to US\$46.4 million subsequently.
- 2005 Funding for installation of 504 looms by Formosa Taffeta (Dong Nai) Co., Ltd. in Jan.; dismantling of 3rd business division in Feb., with its cotton weaving plant and cotton dyeing plant being taken over by 1st business division; capital increment by Formosa Taffeta (Hong Kong) Co., Ltd. in April before investment in the setup of Formosa Taffeta (Changshu) Co., Ltd., in China's Jiangsu Province, with registered capital of US\$18 million, for producing chemical-fiber dyeing-and-finishing fabric in may; setup of fifth production line at tire cord plant, with annual capacity of 13,200 tons; cash capital increment of US\$25 million by Vietnam subsidiary in Long An to fund installation of 320 looms, plus interlace warping machines and automated color-matching equipment; closure of F.T.C. international s.r.l.
- 2006 Cash capital increment of US\$10 million by Long An subsidiary, to fund installation of 120 looms, plus air compressors, boosting annual capacity of dyeing and finishing plant to 48 million yards and registered capital to US\$74 million; capital increment of US\$21 million by Formosa Development Co., Ltd., boosting its paid-in capital to US\$161 million; capital increment of US\$3 million by Dong Nai subsidiary, to fund installation of 125 looms; increase of the number of gas stations to 87.
- 2007 Reshuffle for the establishment of 3rd business division, overseeing spinning plant, special fabrics plant, and newly established carbon-fiber composite material plant; dismantling of oversea filament division, switch of subsidiaries in China and Vietnam to the jurisdiction of 1st business division of the parent company; dismantling of the Shanghai office of Zhong shan subsidiary in May; capital increment by Hong Kong subsidiary to fund setup of Formosa Taffeta Trading (Shanghai) Co., Ltd., with registered capital of US\$150,000, located at the same site of the former Shanghai office; eruption of the U.S. subprime mortgage crisis in the second half of July, triggering stock and futures market crash, promoting governments worldwide to cut interest rates to bolster market, boosting global oil price to over US\$100 per barrel, inducing price hike of grain and other raw materials, cutting gross margin of transportation and manufacturing industries, and leading to stagnation of major economies; with capital increment of total investment

of US\$30 million, totaling to US\$136.24 million, whose fund was used to D&F Dept., with registered capital of US\$46.4 million by Zhong Shan Subsidiary; Formosa Advanced Technologies going public in Taiwan with paid-in capital increasing to NT\$4,422 million; revenue and profit in consolidated financial statement hitting record high for the fourth straight year.

- 2008 Incorporation of 3rd dyeing plant, fifth dyeing plant, and processing plant of 1st business division into 1st dyeing plant and 2nd dyeing plant in Jan.; QC Guarantee Group of president's office renamed as standard section in March; completion and gradual inauguration of third plant of Formosa Advanced Technologies in April, mass production of DDR3 with 70 nm process in August, and foray into mass production of LED gross dies, including grinding, cutting, spot check, and classification; capital increment of US\$10 million by Dong Nai subsidiary, to fund setup of new dyeing and finishing plant, with annual capacity of 24 million yards, test run at the end of the year, leading integrated operation of weaving and dyeing; global oil price peaking at US\$147 per barrel before crash, triggering similar general price fluctuation, outbreak of Wall Street financial crisis in Sept., affecting manufacturing industries and dampening interest rates to near zero, which resulted in negative growth; passing away of founder Wang, Yung-Chin during a tour of the plant premises of Formosa Plastics Corp. USA in New Jersey, with various affiliates of Formosa Plastics Group retaining normal operation under established guidelines; TAIEX Index dropping below 4,000 and global oil price tumbling to the nadir of US\$40 per barrel; completion of the expansion of the capacity of fifth production line of tire cord plant by 13,200 tons/year in Dec., boosting total capacity to 56,400 tons; completion of upgrading of domestic ERP (enterprise resource planning) mainframe and management system at the end of the year.
- 2009 Execution of reorganization in Jan., including setup of 1st business group, overseeing weaving business division, dyeing and finishing business division, R&D center, and overseas weaving, dyeing and finishing plant premises; 2nd business group, overseeing tire cord business division, industrial materials business division (merger of original third business division and plastics processing plant), petroleum business division, and energy & civil construction division; setup of general management division, putting under its jurisdiction president's office, finance division, procurement department, administration department, and safety and hygiene office; slump of various global economic and trade indices to record low; capital increment of US\$9 million both by Hong Kong subsidiary in April and Changshou subsidiary in June; liquidation of F.T.C international s.r.l, provisions for impairment of assets of Nanya Technology Corp.; austerity measures, to cope with the impact of global financial tsunami and export decline, including cut on outlays and energy consumption, reduction of cost, expenses, and stock, and manpower contraction.
- 2010 Completion of new dyeing and finishing plant, with annual capacity of 24 million yards, of Dong Nai subsidiary; in response to the new situation after ASEAN-China Free Trade Agreements taking effect, cash capital increment of US\$11 million in April, to fund the construction of new tire cord plant, with annual capacity of 12,000 tons, plus expansion of 2nd weaving fabric plant at cost of US\$3.7 million; acquisition of 4.963% stake in

- Formosa Ha Tinh Steel Corp.; consolidated revenue reaching new high.
- 2011 Price hike of raw materials, notably gold, cotton, and CPL, due the effect of the Jasmine Revolution in Northern Africa and the Middle East and military friction between North and South Korea, with global crude-oil price breaking US\$120/barrel mark in April; transformation of short-fiber cotton spinning plant into 3rd long-fiber weaving fabric plant, alongside installation of 524 new looms, including 269 weaving-fabric looms, 177 multi-arm looms, 66 weaving machine, and 12 rapier looms; retirement of assistant president Kenbo Huang before joining the board of directors; installation of 297 looms, in batches at 2nd weaving fabric plant of Dong Nai subsidiary in Vietnam; appreciation of New Taiwan dollar against US dollar, breaking the mark of US\$1=NT\$28.4 once; formation of the remuneration committee in Aug., write-off of Formosa Taffeta Trading(Shanghai) Co., Ltd. in Sept.; completion of installation of dipping machines at the new tire cord plant of Dong Nai subsidiary in Dec.; selection of 2007 as the base year for compliance with ISO 14064-1 standard; passage of the inspection of British Standards Institution (BSI) on Dec. 8; acquisition of certified statement on greenhouse-gas emission by Taiwan Accreditation Foundation (TAF), acknowledged by Taiwan's Environmental Protection Administration and the International Accreditation Forum (IAF), with inventory showing total CO2 emission of 686,177 metric tons, belonging to the grade of reasonable assurance, a milestone of the company's effort in pushing environmental protection and an honor for Taiwan's textile industry; the number of gas stations surpassing the 102 mark; provisions for the impairment of assets of Nanya Technology; revenue reaching NT\$36.2 billion and revenue in consolidated financial statement hitting NT\$53.2 billion, both new highs.
- 2012 Change of the titles of administrator and senior administrator, appointment of vice president; plan for the construction of green-energy dyeing and finishing plant; successive completion of the verification of PAS 2050 carbon footprints for 24 weaving functional fabrics; visit to the company by BSI representatives in Dec.; completion of the installation of the first batch of dipping machines, weaving and twisting machines at tire cord plant of Dong Nai subsidiary in Vietnam; strengthening of the organization for functional fabric of 1st business segment.
- 2013 In compliance with the requirement of the Financial Supervisory Commission, adoption of the International Financial Reporting Standards (IFRSs), compiling financial statement, mainly consolidated one, in traditional Chinese, from Jan.; formulation of six major policies for the year in Feb., including inroads into the global market and removal of waste from repetitive works, notably the project for preventing failure costs; preparation for waterless dyeing process; publication of declaration on sustainable development by managing director and president Hsieh Shih-ming in May; initial publication of "2012 report on green sustainable development" in Aug. for posting on related international websites, for perusal by branded customers and major stakeholders; installation of 12 new looms for fire-proof production line at the plant of Dong Nai subsidiary in Oct.; inauguration of first-phase capacity of 12,000 tons/year at tire core plant of Dong Nai subsidiary in Vietnam, following investment in 2011; gradual increase of self-service gas stations.

- 2014 Approval of US\$15.3 million cash capital increment plan of Dong Nai subsidiary in Vietnam by the Vietnamese government in Jan., fund raising of another US\$22.54 million by Dong Nai subsidiary for 2nd-phase capacity reaching 12,000 tons/year and fire-proof fabric production line with annual capacity of 580,000 yards; suspension of San Francisco office for western U.S.; takeover of the trading business of Hong Kong subsidiary by the Taipei business department; installation waterless dyeing machines at Taiwan plant in April; fund raising of US\$6.4 million by Long An subsidiary in Vietnam for construction of new plant for back-end finishing of functional finishing fabric with annual capacity of 21.42 million yards; eruption of anti-Chinese demonstration in Vietnam on May 14, prompting the Vietnamese plant to suspend operation for two days; selection, for the first time ever, of three independent directors by shareholders' meeting, ushering corporate governance into a new era; setup of an investment company in Cayman, as the channel for indirect investment, in place of original direct investment, Formosa Ha Tinh Steel Corp.; twa- credit rating granted by Taiwan Ratings, elevated to twa+ in Oct.; In July, in accordance with the initiative of the International Textile Finished Products Organization, the introduction of the Chemical Management and Zero Discharge of Hazardous Substances (ZDHC) project, in which the fluorine-free water repellent and biomass wicking agent were introduced into the market. In August, polyester recycled gauze was certified by McDonough Braungart Design Chemistry (MBDC), Cradle to Cradle product innovation organization. The whole process of raw materials is non-toxic, energy clean, water-saving and carbon-reducing, recycling, named BOOMETEX ® Recycled Polyester, international brand identity. application for capital injection of US\$15 million in Hong Kong subsidiary and Changshou subsidiary, to improve their financial structure, including US\$3 million for construction of leased plant buildings, approved by the Chinese government in Sept., passing away of co-founder Wang Yung-tsai on Nov. 27; completion of installation of around-the-clock detection equipment for printing and dyeing discharge, analyzing water quality and recording water volume, which is connected to local environmental-protection bureau, for real-time detection and response to abnormality; moving of the office of Hong Kong subsidiary and Schoeller FTC (Hong Kong) to room 6 of 16th floor, from original room 5 of 11th floor, of the same building.
- 2015 Publication by president Hsie Shih-ming in Jan. management policy Transform Mentality; Accelerate innovation; Pursue Value; ; approval by Chinese government in March of spinoff of Changshu Fushun Enterprist Management Co., Ltd.; from Changshou subsidiary, with the latter offering the former assets of 9,206 square meters of residence and US\$900,000 of total investment and capital, totaling to the investment amount of US\$83.1 million and the capital reaching to US\$43.1 million; acquisition of Changshu Fushun Enterprist Management Co., Ltd. in June by Changshu Yu Yuan Development Co., Ltd., with registered capital of US\$ 900,000; in exchange of 40.78%; R&D on environment-friendly process, introduction of non-water plazma repellent technology and equipment; publication of "CSR report 2014" in Dec., verified by a third party; passage of ISO 50001 certification for the company's entire energy management system in Dec.; drop in the company's materials and energy costs, including overseas

plants, due to plunge in international prices of raw materials, induced by continuous decline of global oil prices from Jan. 2014 through Jan. 2016; phenomenal 50% growth of profits of gas stations, despite revenue decline on slump of oil prices; increase of the number of gas stations to 105; inclusion, as the only textile company, into top 5%, or 41 companies, among public companies in 2015 corporate governance evaluation by Taiwan Stock Exchange, with award being granted in June,2016.

- 2016 Declaration by president Hsieh Shih-ming again to push "Industry 4.0" and cut failure costs in Jan.; cooperation with National Yunlin University of Science and Technology in holding 160-hour education and training courses on programmable control PLC/human-machine interface (HMI) for Industry 4.0, attended by 60 staffers; promoting managing director and president, Hsieh Shih-ming, to be vice chairman and president; publication of "2015 CSR report," as an established practice every year; inclusion of gas stations in the coverage of verification, elevation to first-type AA1000 medium assurance; granting by third party of twA+ for long-term credit rating and twA-1 for short-term credit rating, with a stable long-term outlook; contract with renowned U.S. brand Gore for cooperative production of high-end waterproof moisture-permeable laminating grey fabric, ceremony for inauguration of "Bumblebee plant", constructed under "Bumblebee" project, at the end of August; completion and inauguration of 2nd-phase facility of tire cord plant of Dong Nai subsidiary with annual capacity of 12,000 tons in Sept.; granting by the Ministry of Labor of certificate for passage of corporate evaluation for TTQS (talent quality management system) in Oct.; change of corporate charter, as well as corporate representatives, directors, installation of supervisors, and registration items, by Long An and Dong Nai subsidiaries, according to corporate law of Vietnam, followed by issuance of new corporate license in Oct. and Dec.; continuing R&D on waterless, non-water plasma repellent environment-friendly process, acquisition of new-type patent for Intelligent temperature control apparel.
- 2017 Adoption of multiple austerity measures and intensification of global marketing, amid jittery global economic and financial situation, caused by two interest-rate hikes by the U.S. Federal Reserve Board, in Dec. 2016 and March 2017, respectively, triggering an interest-rate rising cycle, however, interest-rate fall twice since 2019, interest-rate fall twice in March, 2020, totaling 6 yards(1.5%), interest-rate rising 1 yard in March, 2022(0.25%) and the new economic policy and "America First" approach of U.S. President Donald Trump, who swore into office in Jan.; promotion of Lee Ming-chang to be the executive vice president, from the original post of vice president of 1st business group; increase of personnel cost, due to the implementation of five-day workweek scheme; setup of Public More International Company Ltd., with paid-in capital of NT\$5 million, for engagement in manpower business, as a 100%-owned subsidiary of Formosa Development Co., Ltd., a subsidiary of the company; change of corporate charter and representative of corporate investors, institution of supervisors, and revision of corporate registration, before issuance of new corporate license in March; approval for liquidation of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. in April and closure, for limited commission income from transshipment business; institution of auditing committee, in place of original supervisors, in June; closure of steel coil processing plant

for production of umbrella ribs of Zhongshan subsidiary in Oct., due to lackluster performance resulting from acute competition, following sold out of the equipment; appointment of Lee Ming-change as president, from original post of executive vice president, by the board of directors; debut by Taipei branch of Intelligent temperature control clothes on Dec. 15, The highlights are active, filler free, safe and comfortable, with conductive materials whose temperature can be adjusted via Bluetooth technology and mobile-phone APP to achieve the optional temperature control warmth effect arrival at market in Feb. 2019, following adoption by U.S. fashion brand Ralph Lauren, acquisition of the patent in July; reception of "best trade contribution award" and "award for contribution to the exploration of major overseas emerging markets" for the textile category of the 2017 "Awards for Excellent Trading Businesses," granted by the Ministry of Economic Affairs in Sept., 2019.

2018 Stationing of two contracted physicians, one in occupational medicine and the other in general medicine, at Douliu plant premises from Jan., seven times for 3-hour stay each a month, offering employees free medical consulting and service for arranging outpatient treatment at hospitals; price hikes for raw materials, energy, transportation, some merchandises, and pays, following bottoming out of global oil prices in Jan. 2016, jacking up costs; further revision of Labor Standards Law in March, giving management more leeway in work schedule of employees; installation of new dyeing and finishing capacity at 12 million yards/year by Long An subsidiary in Vietnam, with test run in March; change of internal audit supervisor by Board of directors in March; Initiation of trade talks between the U.S. and major trade partners since March 2018, overwhelming global trade and indirectly affected exchange rates worldwide; phase 1 trade agreement signed between the U.S. and China in Jan., 2020; dedication of the company to consolidation of supply chain; approval of land transaction of 26,047 square meter at Dounan Township, Yunlin County in March, amounted to NT\$ 418,400 thousand, and another 51,533.3 square meter in May sold to unrelated parties, amounted to NT\$ 810,510 thousand; passage of selling the share of Formosa Advanced Technologies Co., Ltd., less than 84,022,000 shares, through block trade by the board of directors in July; dispatch of eight staffers to attend AI technology training program, held by Taiwan AI Academy, from Aug. through Dec., completing 384 hours/person of courses; acquisition of two certificates IATF ~15~ 16949.2016 and ISO 9001.2015 by Taiwan plant premises of tire core business division in Sept., after passing the IATF 16949.2016 certification for auto quality management system, which covers ISO 9001, by SGS Taiwan; reshuffle of CSR committee in Sept., overseeing 23 theme sections, including climate change CDP (carbon disclosure project) and greenhouse-gas inventory; execution by Taiwan head plant and overseas plants of water conservation measures, including reduction of water consumption per product, institution of separate sewer system, cut on water supply, water recycling, and water regeneration; investment of NT\$120 million in ultra-filtration water recycling system and reuse of recycled water from weaving waste water reaching 212 tons/year, attaining 20% water-conservation target for 2018; change of presidents in Long An and Dong Nai subsidiaries, and 2 subsidiaries in Hong Kong from Oct. to Dec.; as for air-pollution abatement, investment of NT\$19.5 million during 2016 through 2018 for

purchase RTO (regenerative thermal oxidizer) equipment, boosting VOCs (volatile organic compounds) handling rate to 90%, investment of NT\$84 million for purchase of denitration control equipment for SCR (selective catalytic reduction) for the two sets of combined heat and power systems, slashing NOx (nitrogen oxides) emission by 72%; substitution of natural gas for pyrolysis low-sulfur fuel oil for dip-dryer at 2nd plant premises and investment of NT\$30.38 million for renovation of equipment heating systems and installation of natural-gas pipelines, thereby slashing SOx (sulfur oxides) emission by 83%; increase of the number of gas stations to 106; good results of the company in CDP questionnaire for 2018 revealed in Jan., 2019, including B for management, A for scope-3 emission (figures certified by SGS), A for value-chain participation, and A- for participation of suppliers in related issues; ranked 2nd grade, or among best 6-20%, among 1,554 companies including 868 listed companies and 686 over-the-counter (OTC) companies subject to corporate-governance evaluation by Taiwan Stock Exchange, announced in April, 2020; reception of "certification mark of top 500 excellent exporters/importers of 2018," granted by the Bureau of Foreign Trade in Oct., 2019.

2019 Application for dissolution of subsidiary F. T. C. America Corp.; approval of increment of 4.5 million US dollars invested in FG INC via the investment structure by the board of directors in March, 2019; installation of first supervisor of corporate governance in May; selection by Taiwan Index Plus Corp. as a constituent stock of Taiwan Sustainability Index in Dec. 2018; reception of two Taiwan Sustainability Index labels in April 2019; acquisition of 5 patents from January to November, respectively, multi-material composite, smart temperature-control fabric, which is better than the utility model patent in 2016, mechanical stretch fabric, multi-sectional weave fabrics, stereoscopic fabrics with special patterns and tactile texture produced by an eco-friendly non-dye); publication of 2018 CSR report in English in Sep.; operation of solar panels installed in Long An Subsidiary in Sep.; termination for supplying single-use cups, plastic bottles and chopsticks for the staff to reduce the plastic waste from Nov., 2019; disposal of shareholding of Formosa Advanced Technologies Co., Ltd. to 30.68% on 16 Dec, 2019 and turned it into investment company in the consolidated financial report since the end of 2019; installation of new dyeing and finishing equipment with annual capacity of 12 million yards by Long An subsidiary in Vietnam, scheduled for inauguration in batches by the end of the year; [A-] for carbon and water disclosure of the company in CDP questionnaire for 2019 announced in Jan., 2020.

2020 In January, Zhong Shan Plant passed the ISO: 9001:2015; global status was greatly hit by Covid-19 from January including the hygiene and safety, the economy, supply chain, stock markets, rates, prices, travel, public gatherings from January; none of the Company's employees of nearly 8,000 (including overseas subsidiaries) were infected; drop in sales from Q2 resulted from the occasional closure and limit of some clothing shops of end customers; essential measures such as the offering of face masks to the staff, the measurement of forehead temperature before getting into the plants, the limit on business travel, and implementation of isolation and triage measures at Taipei office, taken to prevent employees from being infected with the disease; dedication of the

company to consolidation of supply chain and expansion and market of the clothing for medical use; remodeling of 12 dyeing machine and 2 impregnation equipment in the dyeing Plant of Taiwan to convert fuel oil to natural gas for cutting carbon emissions; installation of 2,170 meter underground gas pipelines connected to gas pipeline metering stations outside the plant, scheduled for operation in batches in Feb., 2020; the revision of the boom and the lower raw material prices resulted from the drop in the demands of staple merchandise and global petrol prices due to the worsening pandemic and the order to stay home in February; approval of cash capital increase in Schoeller Textil AG, amounted to *fr.*3.958 ten million, in Oct., 2019, invested funds (exchange rate 1:32.4787) in March,2020 with 50% of its shareholdings; transfer 50% equity interest of Schoeller F.T.C. (Hong Kong) Co., Ltd. to the original joint venture for operation; amendments to Audit Committee Charter, Rules of Procedure for Board of Directors Meetings, and Rules Governing the Scope of Powers of Independent Directors by the board of directors in March; interest rate cut twice by FED, amounted to 1.5%, later followed by many nations, which pushed real interest rate to the stage of zero to negative; DXY highs of 102.99 in March, due to the hedge effect, but dropped to 89.22 on January 6th, 2021, resulted from the quantitative easing and the pandemic, leading to the rise in the global oil price and shipping cost, remaining affecting the globe; amendments to the internal control system and its regulations by the board of directors in May; inventory of greenhouse gas (GHG) emission of 106 gas stations and verification of the third party in May, collect and disclose the data of carbon emissions of 2019, accounted for 0.58% carbon emissions of Taiwan Plants; amendments to Corporate Governance Principles and Corporate Social Responsibility Principles by the board of directors in June; dissolution of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd in July; selected as the constituent of TWSE RA Taiwan Employment Creation 99 Index in July; acquisition of six patents in Taiwan, China, and Vietnam from April to November; establishment of “Self-Evaluation of the Board of Directors” and amendments to Remuneration Committee Charter by the board of directors in August; awarded by the Taiwan Outdoor Group (TOG) in Oct.; dissolution of Formosa Taffeta (Cayman) Co., Ltd. in Nov.; Taiwan Plant II awarded as the best enterprises of carbon emissions reduction in Nov., showing the Company’s commitment to reducing carbon emissions; establishment of risk management regulations by the Board in Dec.; rated as “A-” (leadership) on climate change and “A,” the highest honor on water security, published by CDP in Dec.; disclosure of climate-related financial impacts for the development of sustainability and low carbon emissions.

2021 Resolution to change the Chief Internal Auditor by the Board in March; resolution to amend the Rules for Election of Directors of the Company by the shareholders’ meeting in June; among best 21-35%, among 1,617 companies including 905 listed companies and 712 over-the-counter (OTC) companies subject to corporate-governance evaluation by Taiwan Stock Exchange, announced in April, 2021; replacing C fuel with natural gas of two low-pressure steam boiler at plant 2 in Taiwan, with the expenditure of NT\$ 7 million, completed in May; to motivate employees, 3% of pay raise in July; to protect employees’ health, covid rapid test were conducted by Chiayi Chang Gung Memorial

Hospital; awarded as the best enterprises of carbon emissions reduction in Nov.; the dyeing plant 1&2 was reorganized to dyeing plant, and weaving plant 2&3 was reorganized to weaving plant 2 in Dec.; rated as “A-” (leadership) on climate change and “A-,” (leadership), published by CDP in Dec.; installation of phase two of 1,750 KW of solar power generation system in Long-An subsidiary, completed in Dec., whose electricity production from solar power system accounted for 3.44% of power consumption in 2020, and 3.47% in 2021; capacities in Long-An and Dong-nai subsidiaries were affected by “3-on-site” implementation in Vietnam; investment of NT\$118 million in RTO (regenerative thermal oxidizer) equipment in 2019, scheduled for the operation in April; installation of UFRO equipment, the amount of reclaimed water was 3,031,815 tons in 2019, an increase of 30.1% compared with 2018; the amount of reclaimed water was 2,976,441 tons in 2020, an increase of 1.83% compared with 2019; the amount of reclaimed water from five plants in three countries was 3,404,606 tons, an increase of 14.4% compared with 2020; 105 gas stations located in Taiwan as of the end of 2021; the purchased recycled polyamide of the first segment accounted for 21.4% in 2019, 36.2% in 2020, and 43.6% in 2021, reflecting the correlation between brand customers and the sustainability and the change in customers’ shopping habits.

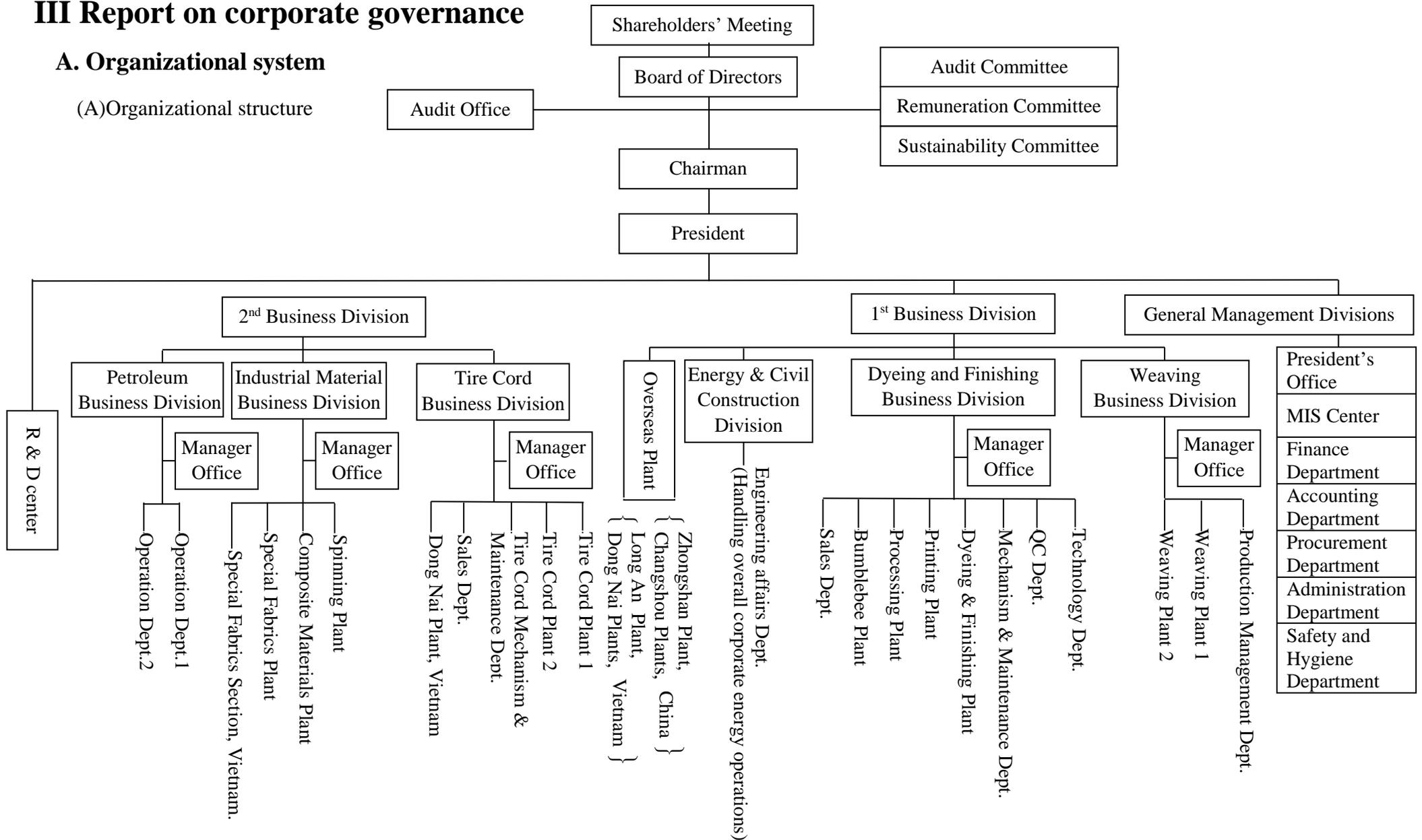
2022 Reshuffle of the Company’s labor-union; reorganize the plastic processing plant and the carbon fiber composite material plant into composite material plant; reshuffle and rename the CSR committee to the sustainability committee; the passing away of vice chairman, Hsieh Shih-ming, aged 89 on Jan. 10th; completion of installing of solar power generation system in Taiwan plant in Jan.; covid rapid test conducted for 896 foreign workers with no one infected; spike in raw material prices and gas prices affected by the Russia-Ukraine war; to secure the information safety, update on software and the device with the expenditure of NT\$ 0.8 million, operated since March; plan for establishing solar panels in five plants and performing the inventory of greenhouse gas emissions to pursue a sustainable future

Organizational chart of Formosa Taffeta Co., Ltd.

III Report on corporate governance

A. Organizational system

(A) Organizational structure



(B) Main businesses of all segments and divisions:

- 1st Business Segment: dyeing, finishing, printing, and back-end processing of woven fabrics made of chemical filament; governance of Weaving Division, D & F Division, Guangdong China Plants and Jiangsu China Plants, Vietnam Long-an Plants, Vietnam Dong-nai Plants, Taipei Office, Hong Kong Subsidiary, and HCM City Branch, etc. Main products include polyamine fabrics, polyester fabrics, international branded sports fabrics, and fabrics with rich functions, Medical fabrics.
2. Tire Cord Division of the 2nd Business Segment: manufacture of tire cord fabric, base cloths of conveyor ducks, chafers for tire-lips, anti-puncture fabric for bikes, lining fabric, etc.; governance of Tire Cord Plant in Dong-nai, Vietnam.
3. Industrial Material Division of the 2nd Business Segment: manufacture of cotton yarn, blended yarn, MVS yarn, nano far infrared ray fiber, nano anion fiber, Germanium fiber, fine diner fiber, hollow section insulation fiber, low-pilling fiber, functional fiber, comfort fiber, eco-friendly fiber, protective fiber, flame resistance fabric, protective fabrics of uniforms for military, Military, police, firefighter protective fabrics, Medical protective antibacterial fabrics, blullet proof fabric, anti-puncture fabric, carbon fiber fabrics, prepreg for materials of shells of notebooks and cellphones, bikes, and golf clubs, carbon fiber fabrics for autos, pipeline reinforcement jackets, PE plastic bags, etc.
4. The Petroleum Business Division of the 2nd Business Segment: operation of gasoline stations; offers of petroleum, diesel, lubricant, car appliances and service of car washing.

B. Data on directors, president, vice presidents, deputy assistant vice presidents, and chiefs of various divisions and branches

(A) Data on directors

April 26, 2022

Title (note 1)	Nationality/Place of Registration	Name	Gender and age (note 3)	Date of election (appointment)	Tenure (Years)	Date of first election (note 4)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 5)	Director's Current Position at FTC and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 6)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R O C	Wong, Wen-yuan, Representative of Formosa Chemicals & Fibre Corp.	Male, aged over 70	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Master, industrial engineering, University of Houston	Chairman of Formosa Advanced Technologies, Taiwan Textile Federation	Nil	Nil	Nil	Nil
						1992. 9.17	0	0	0	0	8,777	0	0	0						
Managing Director (Independent Director)	R O C	Lin, Sheng-chung	Male, aged 61~70	2020. 6.19	3	2020. 6.19	0	0	0	0	0	0	0	0	Master in Economics, National Taiwan University, Director of CPC Corporation, Taiwan, Deputy Minister & Vice Minister of Ministry of Economic Affairs.	Independent director of Taiwanglass, SWANCOR, CENTURY IRON AND STEEL INDUSTRIAL CO., LTD., Consultant of Chinese National Association of Industry and Commerce, Taiwan	Nil	Nil	Nil	Nil

Title (note 1)	Nationality/Place of Registration	Name	Gender and age (note 3)	Date of election (appointment)	Tenure (Years)	Date of first election (note 4)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 5)	Director's Current Position at FTC and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 6)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R O C	Kuo, Nein-hsiung	Male, aged over 70	2020. 6.19	3	2020. 6.19	0	0	0	0	0	0	0	0	Master in Urban Planning, National Chung Hsing University, President of Taiwan Land Development Corp. & China Development Asset Management Corp. Deputy Director-General of Industrial Development Bureau, Ministry of Economic Affairs	Director of Taiwan Puritic Corp. Supervisor of Taiwan Innovation Development Corp.	Nil	Nil	Nil	Nil
Independent Director	R O C	Kuo, Chia-chi	Female, aged over 51~60	2020. 6.19	3	2015. 6.26	3,000	0	3,000	0	0	0	0	0	Department of Accounting, National Taiwan University	CPA at Kuo Chia-chi Accounting Firm, independent director of FBT, supervisor of Zongtai Real Estate Development Co., Ltd.	Nil	Nil	Nil	Nil
Director	R O C	Hong Fu-yuan, Representative of Formosa Chemicals & Fibre Corp.	Male, aged over 70	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Chung Yuan Christian University	Chairman of Formosa Chemicals & Fibre Corp	Nil	Nil	Nil	Nil
Director	R O C	Lee, Ching-Fen, Representative of Formosa Chemicals & Fibre Corp.	Male, aged 61~70	2021. 10.15	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Tamkang University	Deputy Executive Vice president of Formosa Chemicals & Fibre Corp	Nil	Nil	Nil	Nil
Director	R O C	Lee, Ming-chang, Representative of Formosa Chemicals & Fibre Corp.	Male, aged over 70	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	President of FTC, Formosa Taffeta Long An, and Formosa Taffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil	Nil
Director	R O C	Lee, Chien-Kuan, Representative of Formosa Chemicals & Fibre Corp.	Male, aged 51~60	2021. 10.15	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Public Administration, National Chung Hsing University	Deputy Vice President of FTC	Nil	Nil	Nil	Nil
Director	R O C	Lee, Man-chun, Representative of Lai Shu-wang Foundation	Male, aged over 70	2020. 6.19	3	1990. 5.4	4,151,942	0.25	4,151,942	0.25	0	0	0	0	Master, Gradual School of Accounting, National Chengchi University	CPA, Lee Man-chun Accounting Firm	Nil	Nil	Nil	Nil
						1998. 3.31	0	0	0	0	0	0	0							

Title (note 1)	Nationality/Place of Registration	Name	Gender and age (note 3)	Date of election (appointment)	Tenure (Years)	Date of first election (note 4)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 5)	Director's Current Position at FTC and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 6)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R O C	Hsieh, Ming-der	Male, aged 61~70	2020. 6.19	3	2011. 6.28	15,548,068	0.92	15,548,068	0.92	4,769,969	0.28	0	0	Department of Machinery, Taipei City University of Science & Technology	Chairman, Yu Yuang Textile Co., Ltd.	Nil	Nil	Nil	Nil
Director	R O C	KEYFORD DEVELOPMENT CO., LTD. (Note 2) Representative : Vacancy	—	2020. 6.19	3	2008. 6.27	113,000	0.01	113,000	0.01	0	0	0	0	—	—	—	—	—	—
							—	—	—	—	—	—	—	—						

Note 1: List the names of institutional shareholders and their representatives separately (for representatives of institutional shareholders, specify the names of the latter) and fill in table 1 below.

Note 2: Representative of KEYFORD DEVELOPMENT CO., LTD., Hsie, Shih-Ming, passed away on January 10, 2022, and as of the April 26, 2022, the replacement has not been designated.

Note 3: Fill in the date for directors or supervisors to assume the office for the first time and specify the existence of suspension for the job, if any.

- (1) Mr. Hong Fu-yuan was designated by institutional supervisor Formosa Chemicals & Fibre Corp. as its representative for the seat on June 17, 2005 before being designated by the latter as its representative for its seat as a director.
- (2) Mr. Lee, Ching-Fen was appointed as the director representative by the legal person director Formosa Chemicals & Fibre Corp. on October 15, 2021.
- (3) Mr. Lee Ming-chang served as the company's director on June 14, 2002 before being designated by institutional director Formosa Chemicals & Fibre Corp. as its representative for the seat on June 26, 2014.
- (4) Mr. Lee, Chien-Kuan was appointed as the director representative by the legal person director Formosa Chemicals & Fibre Corp. on October 15, 2021.
- (5) Mr. Lee Man-chun was designated by Lai Shu-wang Foundation as its representative for its seat as a institutional director on March 31, 1998, then for its seat as a institutional supervisor on June 27, 1998, and for its seat as a institutional director again on June 23, 2017.

Note 4: If experience related to current position includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Note 5: The Chairman of the Company and the General Manager or equivalent (the top manager) are the same person, spouse or relative within first degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Note 6: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increment of independent directors without more than half of directors are nor employees or managers)

Table 1: Major shareholders of institutional shareholders

April 26, 2022

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders(note 2)
Formosa Chemicals & Fibre Corp	Chang Gung Medical Foundation (18.58%), Chingdwell International Investment Corp. (6.35%), Vason International Investment Co.,Ltd. (3.80%), Formosa Plastics Corp. (3.39%), Nan Ya Plastics Corp. (2.40%), Fubon Life Insurance Company Limited (2.22%), , Wong Wen-yuan (2.20%), Consolidated Power Development Corp. (1.63%), Standard Chartered Bank (Taiwan)Ltd In Custody for Genesis Equity Group Inc. (1.51%), and HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp. (1.45%)
Keyford Development Co., Ltd.	Ho Chen-fang (1.67%), Hsieh Hsiu-li (1.67%), Hsieh Ying-chan (1.67%), Hsieh Ming-der (10%), Hsieh Ming-ta (1.67%), Keyfore Industrial Holding Limited (83.32%)
Lai Shu-wang Foundatio	Lai Ming-hsiung, Lai Ming-tsung, Chen Yi-li, Hsu Yi-nan, Tsai Wei-tsung, Xu, Jing-wen, Lin Pei-yuan, Chen Shu-chu, Lee Man-chun

Note 1: For directors who are representatives of institutional shareholders, specify the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings, and fill in table 2 below, if major shareholders are institutional shareholders.

Note 3: If the institutional shareholder is not a company, the name and shareholding ratio of shareholders that must be disclosed above is the name and ratio of contributions or donations from the investor or donor. Specified "deceased" if the donor has passed away.

Table 2: Major shareholders of major institutional shareholders in table 1

April 26, 2022

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders (note 2)
Chang Gung Medical Foundation (note 5)	Nan Ya Plastics Corp. (19.27%), Formosa Chemicals & Fibre Corp. (14.83%), Formosa Plastics Corp. (14.23%), Wang Yung-tsai(deceased) (12.04%), Wang Yung-ching(deceased) (7.87%)
Chingdwell International Investment Corp.	Everred Corporate, Inc.(100%)
Vason International Investment Corp.	Landmark Capital Holdings Inc.(100%)
Formosa Plastics Corp.	Chang Gung Medical Foundation (9.44%), Formosa Chemicals & Fibre Corp. (7.65%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (6.26%), Nan Ya Plastics Corp. (4.63%), Chingdwell International Investment Corp. (4.16%), Vason International Investment Corp. (3.05%), Formosa Petrochemical Corp. (2.07%), Citibank Taiwan in custody of Singaporean government foundation account (1.50%), Ming Chi University of Technology(1.43%), and New Labor Pension Fund (1.25%)
Nan Ya Plastics Corp.	Chang Gung Medical Foundation (11.05%), Formosa Plastics Corp. (9.88%), Formosa Chemicals & Fibre Corp. (5.21%), Chang Gung University (4.00%), Vason International Investment Corp. (2.39%), Formosa Petrochemical Corp. (2.26%), Chingdwell International Investment Corp. (1.86%), An investment account of the LGT Singapore under the custody of Standard Chartered International Commercial Bank's Business Department (1.50%), an investment account under the custody of Citibank Taiwan (1.45%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (1.20%)
Fubon Life Insurance Company Limited	Fubon Financial Holdings (100%)
Consolidated Power Development Corp., Ltd.	Cabo de Roca Corporation(100%)
Standard Chartered Bank (Taiwan) in custody for Genesis Equity Group Inc.	Investment account
HSBC Bank (Taiwan) Limited in custody for Consolidated Power Development Corp.	Investment account
Keyford Industrial Holding Limited	Keyford Industrial Fund(100%)

Note 1: Similar to table 1, if major shareholders are institutional shareholders, fill in the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings.

Note 3: If the institutional shareholder is not a company, the name and shareholding ratio of shareholders that must be disclosed above is the name and ratio of contributions or donations from the investor or donor. Specified "deceased" if the donor has passed away.

Note 4: Donation rate is calculated on the basis of the accumulated donation amount in past years and value of donated stocks is calculated according to face value.

Note 5: Donation share for Chang Gung Medical Foundation is calculated on the basis of the accumulated donation amount as of Dec. 31, 2021.

Data on directors (II)

1. Disclosure of information on directors' professional qualifications and independence of independent directors:

April 26, 2022

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
<p>Formosa Chemicals & Fibre Corporation</p> <p>Wen Yuan, Wong</p>	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, oil, gas and electricity, semiconductors, steel, shipping, and biotechnology industries. Held senior executive positions in the industries above, and currently serves as the chairman or director of related companies.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective. Leads multinational companies in China, the United States, and Vietnam, and is currently the chairman of Taiwan Textile Federation.</p> <p>Specializes in engineering technology, has an indepth understanding of AI, and leads the Company in energy conservation and emission reduction, circular economy, AI simulation, and digital transformation</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	<p>0</p>
<p>Independent Director,</p> <p>Lin, Sheng-chung</p>	<p>Being the Company's managing and independent director, Lin has a welth of experience in the areas of industry, official, academic, and business management, including textile fibers, plastics, glass, ceramics, steel, oil, gas and electricity, financial insurance, building material and construction. With an excellent international perspective and judgement, Lin is good at trades, energy policy, international trade investment.</p> <p>Acted as the Chairman of CPC Corporation, deputy minister & vice minister of Ministry of Economic Affairs, director-general of Construction Bureau of Taipei City Government (currently named Department of Economic Development Taipei City Government), the observer delegation of ROC to the World Trade Organization. Currently, being emeritus professor of Chung Yuan Christian University, consultant of Chinese National Association of Industry and Commerce, the independent director of Taiwanglass, Swancor, Century Iron and Steel Industrial Co. Ltd, and the convenor of the Company's audit committee and remuneration committee, and without the conditions stipulated in the Article of Company Act. While being the Chairman of CPC Corporation, the business performance reached to over NT\$60 billion. The outstanding performance allows to assist the Company to create a better performance, provide the consultancy and deciaion-making, and supervise the internal control and financial statements to fulfill the responsibility of an independent director.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p> <p>Without being the director of the special relationship with the Company, in compliance with the Item 5~8 of Article 3-1of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies</p> <p>Without getting the pay from providing the Company and related companies with the service of consultantctm legal, finance,</p>	<p>3</p>

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
Independent Director, Kuo, Nein-hsiung	<p>Being the Company's independent director, he has a wealth of experience in the industry, business management and professional experience, including textile fibers, plastics, oil, gas and electricity, biotechnology and semiconductor industries. Served as the President of Taiwan Land Development Corp. & China Development Asset Management Corp, Deputy Director-General of Industrial Development Bureau, Ministry of Economic Affairs Chief Secretary & Section Chief, Construction and Planning Agency, Ministry of the Interior. Currently, he is the Company's member of audit and remuneration committee, and without conditions stipulated in the Article of Company Act.</p> <p>While being the Deputy Director-General of Industrial Development Bureau, Kuo is familiar with the industry policy and stipulation, the management and development of industrial park, and important business plans. The experience allows to help the Company to manage business policy, industry development, and provide the consultancy and decision to monitor the Company's internal control and financial statement to fulfill a responsibility of an independent director.</p>	<p>and accounting.</p> <p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p> <p>Without being the director of the special relationship with the Company, in compliance with the Item 5~8 of Article 3-1of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies</p> <p>Without getting the pay from providing the Company and related companies with the service of consultant legal, finance, and accounting.</p>	0
Independent Director, Kuo, Chia-chi	<p>Being the Company's independent director, she has a wealth of experience in the industry, business management and professional experience, including textile fibers, plastics, financial insurance, building material and construction, oil, gas and electricity, biotechnology and semiconductor industries. Currently, she is the director of Zongtai Real Estate Development Co., Ltd, CPA of Kuo Chia-chi Accounting Firm, and the member of the Company's audit and remuneration committee, and without any conditions stipulated in Article 30 of the Company Act.</p> <p>Has deep understating and wealth of experience in the accounting, finance, tax, financial analysis, and land development, allows to provide the Company with the key consultancy and decisions and effectively monitor the Company's internal control and financial statement to fulfill the responsibility of an independent director.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p> <p>Without being the director of the special relationship with the Company, in compliance with the Item 5~8 of Article 3-1of Regulations Governing Appointment of</p>	1

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
		<p>Independent Directors and Compliance Matters for Public Companies</p> <p>Without getting the pay from providing the Company and related companies with the service of consultant legal, finance, and accounting. Currently holds 3,000 shares of the Company.</p>	
<p>Formosa Chemicals & Fibre Corporation Hong Fu-yuan</p>	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, oil, gas and electricity, steel, shipping, and biotechnology industries. Currently serves as the chairman of Formosa Chemicals and Fibre Corp. or director of related companies.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	0
<p>Formosa Chemicals & Fibre Corporation Lee, Ching-Fen</p>	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, oil, gas and electricity industries. Currently serves as the Executive Vice President of Formosa Chemicals and Fibre Corp. to assist president in managing operating and management businesses of the Plastics & Textile Segment and the Engineering & Utility Division.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	0
<p>Formosa Chemicals & Fibre Corporation, Lee, Ming-chang</p>	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, oil, gas and electricity, semiconductor, and building material and construction industries. Currently serves as the president of the Company to manage all operating and management businesses of the whole company.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective, leads the implementation of KPI management, and supervises the Company's implementation of ESG to move the Company towards the sustainability development and digital transition.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	0

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
Formosa Chemicals & Fibre Corporation, Lee, Chien-Kuan	<p>Has a wealth of industry knowledge and management experience, including textile fibers, oil, gas and electricity. Currently serves as the deputy vice President of the 1st Business Segment of the Company to manage all operating and management businesses of the 1st Business Segment.</p> <p>Has been the vice president in Vietnamese plant and development in the southbound market. Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	0
Lai Shu-wang Foundation, Lee, Man-chun	<p>Has a wealth of financial knowledge and accounting experience. Specializes in the financial accounting and policy.</p> <p>Served as the auditor of National Audit Office. Currently being the CPA of Lee, Man-chun accounting firm, chief executive officer of Shu-wang Lai's Welfare and Charity Foundation, director of Feng Chia accounting education foundation, adjunct Instructor of Department of Accounting of Feng Chia University and Providence University.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	0
Hsieh, Ming-der	Has a wealth of industry knowledge and management experience, including textile fibers, plastics, glass, ceramics, and optoelectronic. Currently serves as the director of Calin Technology and Yu Yuang Textile Co., Ltd., as well as the chairman of Shun Jin Industrial Co., Ltd. Has leadership, decision-making, crisis management abilities, communication and coordination, and risk management.	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	0
KEYFORD DEVELOPMENT CO., LTD. (vacancy)	—	—	—

B. Diversification policy for membership of the board of directors

(1) Diversification of the board of directors:

1. The nomination and election of the Board of Directors of the Company complies with Code of Practice for Corporate Governance of the Company and adopted candidate nomination system. Besides the assessment of each candidate's education and experience, the Company takes stakeholders' opinions into consideration and complies with "Rules for Election of Directors of the Company" and "Corporate Governance Principle" to ensure the diversity and independency of the board members. Besides the knowledge, skills and literacy are necessary for the performance of the Board of Director. To achieve the idol purpose of the corporate governance, the overall abilities of the Board of Directors should include: 1. operational judgment, 2. accounting and financial analysis, 3. operation management, 4. risk management, 5. industrial knowledge, 6. perspectives of the international market, 7. leadership, 8. decision-making, etc.

2. As of the end of April, 2022, the board of the Company consists of 10 directors with diversified backgrounds, professional capabilities, and operating experience. 3 independent directors are among them, accounting for 30% of the Board, and one of them is female, accounting for 10% of the Board. The Company has achieved the target to set up a female director in the board. The goal of all Board members is to possess 50% or more of the diverse industry experiences or expertise (such as business management, leadership, decision-making, industrial knowledge, international knowledge, accounting analysis, and legal background) to deepen the independency of the corporate governance and diversification of the board. Please refer to 2.1 data on directors of III. Corporate Governance. The operation of the diversification of the board is indicated below:

Name	Nationality	Gender	Management/professional background and management/decision making capability					
			Management and administration	Leadership and decision making	Industrial knowledge	International knowledge	Financial/accounting analysis.	Law
Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lin, Sheng-chung, independent director	ROC	Male	V	V	V	V		
Kuo, Nein-hsiung, independent director	ROC	Male	V	V	V	V		
Kuo, Chia-chi, Independent director	ROC	Female	V	V	V	V	V	
Hong, Fu-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lee, Ching-Fen Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lee, Ming-chang, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lee, Chien-Kuan, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		

Name	Nationality	Gender	Management/professional background and management/decision making capability					
			Management and administration	Leadership and decision making	Industrial knowledge	International knowledge	Financial/accounting analysis.	Law
Lee,Man-chun, Lai Shu-wang Foundation	ROC	Male	V	V	V	V	V	
Hsieh,Ming-der	ROC	Male	V	V	V	V		
Keyford Development Co., Ltd. (Vacancy)	-	-	-	-	-	-	-	-

(2) Independency of the board of directors:

As of the end of April, 2022, the board consists with 10 directors, and three of them are independent directors, accounting for 30% of the board. Besides, no spouse or two degrees of kinship of independent directors serve as the directors of the Company. Except Kuo, Chia-chi, independent director, who holds 3,000 shares of the Company, other independent directors and their spouses do not hold the Company's shares. The independent directors do not provide audit, commence, legal, financial, or accounting services and get the payment from them in accordance with article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other directors do not have their spouses and two degrees of kinship of relatives serve as the Company's directors, which compiles with Article 26-3 of Securities and Exchange Act. Among directors, no relationship of spouse or the relation within two degrees of kinship exist in compliance with Article 26-3-3 and 4 of Securities and Exchange Act. (Relevant information please refer to the data on director.)

Note 1: Professional qualification and experience: The professional qualification and experience of each director and supervisor shall be specified. Where the member of the remuneration committee processes the accounting or finance expertise, its qualification and work experience shall be elaborated and whether involvement in Article 30 of Company Act or not shall be also specified.

Note 2: Independent Director shall state the conditions that qualify them as independent, including but not limited to whether the person, his/her spouse, relatives within the second degree of kinship are appointed as directors, supervisors or employees of the Company or its affiliates; the number and ratio of the shares of Company held by the person, his/her spouse and relatives within the second degree of kinship or under the name of another person; whether the person is a Director, Supervisor or employee of a company that has a specific relationship with the Company (with reference to Subparagraphs 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Director and Compliance Matters for Public Companies); and the remuneration received for commercial, legal, financial and accounting services rendered to the Company or its affiliates in the past two years.

Note 3: For the disclosure method, please refer to the template on the Taiwan Stock Exchange Rules & Regulations Directory website.

(B) Management Team

2022.04.26

Title (note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Director's Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 2)	Current Position at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark (note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Lee, Ming-chang	Male	2017.11.09	281,538	0.02	-	-	-	-	Department of Textile Engineering, Feng Chia University	Chairman of Formosa Taffeta Long An and Formosa Taffeta Dong Nai; Director of Quang Viet Enterprise	Nil	Nil	Nil	
Financial Chief Corporate Governance Chief	R.O.C	Cheng, Hung-ning	Male	2018.11.02 2019.05.03	-	-	-	-	-	-	Department of Business Administration, Chinese Culture University	Nil	Nil	Nil	Nil	
Accounting Chief	R.O.C	Lee, Shu-ming	Male	2018.11.02	6,507	-	-	-	-	-	Department of Accounting, Feng Chia University	Nil	Nil	Nil	Nil	
Manager, R&D Center	R.O.C	Liu, Fang-jong	Male	2018.02.01	-	-	-	-	-	-	Textile section, Nan Ya Institute of Technology	Nil	Nil	Nil	Nil	
Deputy Vice President of the 1 st business segment	R.O.C	Lee, Jian-Kuan	Male	2021.08.06	-	-	-	-	-	-	Department of Public Administration, National Chung Hsing University	Nil	Nil	Nil	Nil	
Manager of Dyeing and Finishing Business Division	R.O.C	Lin, Hung-Mung	Male	2018.02.01	-	-	-	-	-	-	Chemical Engineering section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil	
Manager, Weaving Business Division	R.O.C	Hsu, Chung-Fa	Male	2018.10.01	-	-	-	-	-	-	Department of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil	
Manager, Engineering & Civil Construction Division	R.O.C	Chang, Yung-chiao	Male	2007.06.01	50	-	22,651	-	-	-	Electrical engineering section, Electric Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil	
Deputy Vice President of the 2 nd business segment	R.O.C	Chen, Kun-yuan	Male	2021.08.06	-	-	-	-	-	-	Textile section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil	
Manager, Petroleum Division	R.O.C	Chang, Hung-chi	Male	2016.11.25	5,000	-	-	-	-	-	Department of Business Administration, Tunghai University	Nil	Nil	Nil	Nil	
Manager, Tire Cord Division	R.O.C	Chao, Wen-hong	Male	2017.04.01	-	-	-	-	-	-	Department of chemical engineering, National Central University	Nil	Nil	Nil	Nil	
Manager, Industrial Material Division	R.O.C	Chan, Chin-Shun	Male	2019.05.21	-	-	-	-	-	-	Bachelor of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil	

Note 1: Disclosure should cover data on president, vice presidents, assistant vice presidents, or chiefs of various divisions and branches, as well as others with equivalent positions.

Note 2: If experience related to current positions includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Note 3: The Chairman of the Company and the General Manager or equivalent (the top manager) are the same person, spouse or relative within first degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Note 4: The stock ratio column is "-", indicating that the shareholding ratio is less than 0.01%.

Note 5: The aforementioned disclosures cover mainly those with management responsibilities and right of signature in the company.

C. Compensations for general directors, independent directors, president, and vice presidents in the recent year

(A) The company disclosure in the form of pay range and names of payees

1. Compensations for general directors, independent directors

Unit: NT\$1,000; Dec. 31, 2021

Title	Names (note 1)	Director's Remuneration				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or Parent Company (Note 11)										
		Base Compensation (A)	Severance Pay (B) (Note 2)	Directors Compensation (C)(Note 3)		Allowances (D)(Note 4)	Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)	Employee Compensation (G) (Note 6)		The company	Companies in the consolidated financial statements (Note 7)											
				The company	Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)				Cash	Stock	Cash	Stock						
Directors	Chairman	Wong, Wen- yuan Formosa Chemicals & Fibre Corp.																						
	Director	Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.																						
	Director (Note)	Lee, Ching-Fen, Formosa Chemicals & Fibre Corporation																						
	Director	Lee, Ming-chang, Formosa Chemicals & Fibre Corp																						
	Director (Note)	Lee, Chien-Kuan, Formosa Chemicals & Fibre Corp	0	0	0	0	2,273	2,273	460	470	0.1275%	0.1280%	25,660	25,660	0	0	3	0	3	0	13250%	13254%		54993
	Director	Lee, Man-chun Lai Shu-wang's Foundation																						
	Director	Hsieh, Ming-Der																						
	Vice chair man (Note)	Hsie, Shih -ming KEYFORD DEVELOPMENT CO., LTD.																						
	Director (Note)	Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.																						
Independent Directors	Managing Director	Lin, Sheng-chung																						
	Independent Director	Kuo, Nein-hsiung	3600	3600	0	0	0	0	360	360	0.1848%	0.1848%	0	0	0	0	0	0	0	0	0.1848%	0.1848%		0
	Independent Director	Kuo, Chia-chi																						

Note: Independent directors, Cheng, Yu and Wang, Kung, were replaced by Lin, Sheng-chung and Kuo, Nein-hsiung after the election on June 19, 2020.

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: The Company allocated 0.1% of the pre-tax profit before deduction of employees and directors' compensation for 2020 as directors' compensation, and the amount of provision was NT\$2,196,814. The independent directors' remuneration is based on a fixed payment system. The main consideration is to maintain their independence and to play a supervisory role. The fixed annual remuneration for independent directors is NT\$1.2 million, and allowance of NT\$10,000 is paid each time according to the attendance of meetings. In order to enable independent directors to fully exercise their powers, independent directors' liability insurance has been insured to ease the work pressure of directors. In addition, the Company has stipulated the "Rules of Independent Directors' Duties", such as independent directors' monthly review of internal audit reports and financial communication with attesting CPA. For details of the meeting attendance of independent directors, please refer to the "Operational Situation of the Board of Directors", "Operational Situation of the Audit Committee" and "Operational Situation of the Remuneration Committee."

2. Collection of compensations by directors for provision of services to any of the companies in the financial statement in the recent year, other than those disclosed in the table above (such as consulting for non-employees): nil

** Please list the relevant information of directors (general directors who are not independent directors) and independent directors separately.

Compensations brackets

Compensations brackets for the company's directors	Names of directors (note 12)			
	Total of first four items (A+B+C+D)		Total of first seven items (A+B+C+D+E+F+G)	
	The company (note 8)	All the companies in the financial statement (note 9)	The company (note 8)	Parent company & All the invested companies (Note 9)
Less than NT\$1,000,000	Wong Wen-yuan, Hsieh Shih-ming, Hong Fu-yuan, Lee, Ching-Fen, Lee Ming-chang, Lee, Chien-Kuan, Lee Man-chun, Hsieh Ming-der, Lu wen-Chin, Tsai Tien-shuan, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Wong Wen-yuan, Hsieh Shih-ming, Hong Fu-yuan, Lee, Ching-Fen, Lee Ming-chang, Lee, Chien-Kuan, Lee Man-chun, Hsieh Ming-der, Lu wen-Chin, Tsai Tien-shuan, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Wong Wen-yuan, Hong Fu-yuan, Lee, Ching-Fen, Lee Man-chun, Hsieh Ming-der, Lu wen-Chin, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation
NT\$1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Lin, Sheng-chung, Kuo, Nein-hsiung Kuo Chia-chi, Formosa Chemicals & Fibre Corp.	Lin, Sheng-chung, Kuo, Nein-hsiung Kuo Chia-chi, Formosa Chemicals & Fibre Corp.	Lin, Sheng-chung, Kuo, Nein-hsiung Kuo Chia-chi, Formosa Chemicals & Fibre Corp.	Lin, Sheng-chung, Kuo, Nein-hsiung Kuo Chia-chi, Formosa Chemicals & Fibre Corp.
NT\$2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Nil	Nil	Nil	Nil
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Nil	Nil	Lee, Chien-Kuan	Lee, Chien-Kuan
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Nil	Nil	Lee Ming-chang, Tsai Tien-shuan	Lee, Ching-Fen, Lee Ming-chang, Tsai Tien-shuan
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Nil	Nil	Hsieh Shih-ming	Hsieh Shih-ming, Lu Wen-Chin
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Nil	Nil	Nil	Wong, Wen-yuan, Hong Fu-yuan
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Nil	Nil	Nil	Nil
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	Nil	Nil	Nil	Nil
Over NT\$100,000,000	Nil	Nil	Nil	Nil
Total	16	16	16	16

- Note 1: Names of directors should be listed separately (in the case of institutional directors, the names of representatives should also be listed); And list general directors and independent directors separately, disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (3-2-1) or (3-2-2) below.
- Note 2: Refer to compensations for directors in the recent year (including salaries, job-related allowance, severance pay, various bonuses, and incentive pay).
- Note 3: Fill in compensation payouts for directors in the recent year approved by the board of directors.
- Note 4: Refer to business execution fees for directors in the recent year (including transportation fees, special allowances, various fringe benefits, dormitory, and company car). For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations.
- Note 5: Payments collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, or other positions), including salaries, job-related allowances, severance pay, various bonuses, incentive pays, transportation expenses, special allowances, various fringe benefits, dormitory, and company cars. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.
- Note 6: Refer to employee compensations (including shares and cash) collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, and other positions) in the recent year. Disclose plan for payout of employee compensations in the recent year approved by the board of directors. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.
- Note 7: Disclose the total of all the compensations paid by all the companies in the consolidated financial statement (including the company) to the company's directors.
- Note 8: Disclose the brackets of the total of compensations paid by the company to each director and his/her name.
- Note 9: Disclose the brackets of the total of compensations paid by all the companies in the consolidated financial statement (including the company) to each director of the company and his/her name.
- Note10: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.
- Note11: a. In the column, fill in the value of compensations for directors of the company paid by parent company or invested companies other than subsidiaries. (If there is none, please fill in "None")
b.If the company's directors collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column I of compensation brackets and change the name of the column to "parent company and all the invested enterprises."

c. Compensations refer to rewards, pays, and business execution fees paid by parent company or invested companies other than subsidiaries to the company's directors for holding the latter's positions including directors, supervisors, or managers.

Note12: Compensations for the company's 11 directors (including independent directors) are listed separately, since compensations for representatives of institutional directors are collected by institutional directors.

*Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

2. Compensations for president and vice presidents

Unit: NT\$1,000; Dec. 31, 2021

Title	Name (note 1)	Salary (A) (note 2)		Severance or retirement pay (B)		Incentive pay and special allowance (C) (note 3)		Value of employee compensations (D) (note 4)				Share of the total of A, B, C, and D in after-tax net profit (%) (note 8)		receive remunerati on from overseas investment in subsidiaries or parent company (Note 9)
		The company	All the companies in the financial statement (note 5)	The company	All the companies in the financial statement note 5)	The company	All the companies in the financial statement (note 5)	The company		All the companies in the financial statement (note 5)		The company	All the companies in the financial statement (note 5)	
								Cash	Stock	Cash	Stock			
President	Lee Ming-chang	3,268	3,268	0	0	9,058	9,058	3	0	3	0	0.5753	0.5753	420
Deputy Vice President	Lee, Jian-Kuan													
Deputy Vice President	Chen, Kun-yuan													

*Regardless of the title, any position equivalent to the general manager, deputy general manager (for example: president, CEO, director...etc.) should be disclosed.

Compensation brackets

Bracket of compensations for the company's president and vice presidents	Names of president and vice presidents	
	The company (note 6)	Parent company and All the invested companies (note 7)
Less than NT\$1,000,000	Nil	Nil
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Nil	Nil
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Chen, Kun-yuan	Chen, Kun-yuan
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Lee, Jian-Kuan	Lee, Jian-Kuan
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Lee Ming-chang	Lee Ming-chang
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Nil	Nil
NT\$15,000,000(inclusive)~NT\$30,000,000 (exclusive)	Nil	Nil
NT\$30,000,000(inclusive)~NT\$50,000,000 (exclusive)	Nil	Nil
NT\$50,000,000(inclusive)~NT\$100,000,000(exclusive)	Nil	Nil
Over NT\$100,000,000	Nil	Nil
Total	2	2

Note 1: Names of president and vice presidents should listed separately; disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (1-2-1) or (1-2-2) below.

Note 2: Fill in salaries, job-related allowance, and severance pay for president and vice presidents in the recent year.

Note 3: Fill in payments for president and vice presidents in the recent year, including various bonus, incentive pay, transportation expense, special allowance, various fringe benefits, dormitory, and company car. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.

Note 4: Fill in employee compensations (including shares and cash)for president and vice presidents approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.

Note 5: Disclose the total value of compensations for the company's president and vice presidents paid by all the companies (including the company) in the consolidated financial statement.

Note 6: Disclose the names of president and vice presidents of the company in the brackets for compensations paid by the company

Note 7: Disclose the names of president and vice presidents of the company in the bracket for the total of compensations paid by all the companies (including the company) in the consolidated financial statement.

Note 8: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.

Note 9: a. Fill in in the column compensations for president and vice presidents paid by parent company invested companies other than the company's subsidiaries. (If there is none, please fill in "None")

b.If the company's president and vice presidents collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column E of compensation brackets and change the name of the column to " parent company and all the invested enterprises."

c.Compensations refer to rewards, pays (including pays for the positions of employee, director, and supervisor) and business execution fees paid by parent company or invested companies other than subsidiaries to the company's president and vice presidents for holding the latter's positions including directors, supervisors, or managers.

*Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

3.Names of managerial staffers receiving payout of employee compensations and the status of the payout

Unit: NT\$1,000; March 31, 2022

Managerial staffers	Title (note 1)	Name (note 1)	Stock Value	Cash value	Total (note 2)	Share of the total in after-tax net profit (%)
	President	Lee Ming-chang	0	5	5	0.000233
	Deputy Vice President	Lee, Jian-Kuan				
	Deputy Vice President	Chen, Kun-yuan				
	Financial chief (Chief Corporate Governance)	Cheng Hung-ning				
	Accounting chief	Lee Shu-ming				

Note 1: Disclose individual names and titles, along with payout of profits in summarized form.

Note 2: Fill in employee compensations (including shares and cash) for managerial staffers approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year. After-tax net profit refers to the figure of the recent year; for those having adopted IFRS (international financial reporting standards), the figure refers to the after-tax net profit in individual financial statement of the recent year.

Note 3: According to the definition of the Financial Supervisory Commission (decree 0920001301, March 27, 2003), the scope of managerial staffers includes

- (1) president and equivalent positions;
- (2) vice president and equivalent positions;
- (3) assistant vice president and equivalent positions;
- (4) financial chief;
- (5) accounting chief;
- (6) Other employees with management responsibility and signature right.

Note 4: If director, president, and vice president collects employee compensations (including shares and cash), fill in the above table, in addition to attached table 1-2.

(B)The company and all companies in the consolidated statements, in recent two years analysis of ratio of the total compensations for the company's directors, president, and vice presidents in after-tax net profits of Individual or individual financial report, and explain compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance.

1. Shares of the total compensation for the company's directors, president, and vice presidents paid by the company and all the companies in the consolidated financial statements in after-tax net profits in recent two years follow:

Unit: %

Year	The Parent Company		Companies in the consolidated financial statements	
	2021	2020	2021	2020
Directors	0.3128	0.3210	0.3132	0.3211
President and Vice Presidents	0.6746	0.5275	0.6746	0.5275

Explanation: The increase of the ratio of total remuneration to Directors, President and Vice Presidents of the Company, to the net income resulted from increase in the compensation of president and vice presidents in 2021 compared to 2020.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

- A.** Remuneration of the Company's Directors and managers is submitted to Remuneration Committee and Board of Directors for approval.
- B.** According to Articles 18 and 30 of the Association of FTC, the Board of Directors are authorized to determine the remuneration amount based on a Director's involvement in the Company's operations and his/her contribution values and in comparison with payments in other business of the same industry; in addition, if the Company is profitable in the year, it shall pay 0.05% to 0.5% of the pre-tax profit to the employees' remuneration in the current year.
- C.** The Company's Independent Directors and some directors receive a fixed amount of compensation monthly as well as reimbursement transportation expenses based on their actual attendance of the Board meetings. No varied remuneration is paid to Independent Directors and some directors. Other directors receive reimbursement for transportation expenses based on their actual attendance of the Board meetings. No other directors' remuneration is paid to Independent Directors and some directors.
- D.** The Company established the Audit Committee to replace the Board of Supervisors on June 23, 2017.
- E.** The President's, Vice President's, and Assistant Manager's compensations are handled in accordance with Articles 26 of the company's Articles of Incorporation and Articles 29 of the Company Act. In addition to fixed monthly salary, year-end bonuses, festival

bonuses and special awards are also given subject to the company's operating conditions. Among them, special rewards are adjusted and issued with reference to the target achievement rate, operating results, industrial safety incidents, water and energy saving, etc. Fixed monthly salary is also adjusted by the Remuneration Committee in reference to the Company's overall employee salary adjustment standards.

D. Operation of corporate governance

(A) Operating status of the board of directors

The board of directors convened 6 times (A) in 2021, with the attendances of directors listed below:

Title	Name (note1)	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A) (note2)	Note
Chairman	Wong, Wen-yuan, Formosa Chemicals & Fibre Corp.	6	0	100	
Vice Chairman	Hsie, Shih-ming, Keyford Development Co., Ltd.	4	0	66.67	Pass away on January 10, 2022 (note 3)
Standing director (independent director)	Lin, Sheng-chung	6	0	100	
Independent director	Kuo, Nein-hsiung	6	0	100	
Independent director	Kuo, Chia-chi	5	1	83.33	
Director	Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.	6	0	100	
Director	Lee, Ching Fen, Formosa Chemicals & Fibre Corp.	2	0	100	New appointment, change on Oct. 15, 2021 (note 4)
Director	Lee, Ming-chang, Formosa Chemicals & Fibre Corp.	6	0	100	
Director	Lee, Chien-Kuan, Formosa Chemicals & Fibre Corp.	2	0	100	New appointment, change on Oct. 15, 2021 (note 4)
Director	Lee, Man-chun, Lai Shu-wang Foundation	6	0	100	
Director	Hsieh, Ming-der	6	0	100	
Director	Lu, Wen Chin, Formosa Chemicals & Fibre Corp.	4	0	100	Previous Position holder, change on Oct. 15, 2021 (note 4)
Director	Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.	4	0	100	Previous Position holder, change on Oct. 15, 2021 (note 4)

Other items mandating record:

A. In case there is one of the following situations in the operation of the Board of Directors, specify the date of the meeting, term of the board of directors, contents of agenda, opinions of all the independent directors, and approach of the company in handling the opinions of the independent directors:

(A) Items listed in article 14-3 of Securities and Exchange Act: Not applicable

(B) Except the aforementioned items, resolutions of the board of directors with opposition, or reserved opinions, by any independent director: nil.

B. For abstention of cases by directors due to involvement of related interests, specify the names of directors, contents of agenda, reasons for abstention, and situation of voting: Six board of directors meetings were convened in 2021 without any case that directors shall avoid due to involvement of related interests.

B. Listed Companies shall disclose the information of self(or peer) assessment of the Board such as evaluation cycles, evaluation periods, scope, method, and the contents of evaluation.

Description: the situation of the evaluation of the Board of directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Method of Evaluation	Contents of Evaluation
Once per year	2020/10/01 ~ 2021/09/30	Board of directors	Self-assessment conducted by the members of board of directors	1. Participation in the operation of the company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control.
Once per year	2020/10/01 ~ 2021/09/30	Members of board of directors	Self-assessment conducted by the members of board of directors	1. Alignment of the goals and missions of the company 2. Awareness of the duties of a director 3. Participation in the operation of the company 4. Management of internal relationship and communication 5. The director's professionalism and continuing education 6. Internal control.
Once per year	2020/10/01 ~ 2021/09/30	Audit Committee	Self-assessment conducted by the committee members	1. Participation in the operation of the company 2. Awareness of the duties of the Audit committee; 3. Improvement of quality of decisions made by the Audit committee 4. Makeup of the Audit committee and election of its members 5. Internal Control
Once per year	2020/10/01 ~ 2021/09/30	Remuneration Committee	Self-assessment conducted by the committee members	1. Participation in the operation of the company 2. Awareness of the duties of the Remuneration committee 3. Improvement of quality of decisions made by the Remuneration committee 4. Makeup of the Remuneration committee and election of its members

Note: Except Lee, Ching Fen and Lee, Chien-Kuan who are newly-designated representative of Formosa Chemicals & Fibre Corp. since Oct, 15, 2021, evaluation period on others is carried out every year.

C. Evaluation of execution of objectives for strengthening the functions of the Board of Directors in the current year and the previous years:

- (A) The operation of the Company's board of directors abides by laws/regulations, corporate charter, and resolutions of shareholders' meeting. In addition to the professional knowledge, skills, and literacy related to their positions, all the directors adhere to the principle of loyalty and integrity in the execution of their duties, so as create maximum benefits for shareholders.
- (B) In order to establish a good system of governance for the Board of Director, as well as strengthen its supervisory and management functions, the Company, in addition to the selection of independent directors, has set up the norm for Board meetings, covering contents of agenda, operating procedure, items to be recorded in the minutes of meetings, official notices, and others.
- (C) In order to strengthen the functions of the Board of Directors, the Company, in addition to regular self-examination of the Board's operation, has had its in-house auditors produce monthly auditing report for independent directors' review before the end of the following month, in compliance with the requirements of the securities regulator.
- (D) In line with regulations of securities regulator, the Board of Directors resolved on August 25, 2011 to set up a compensation committee. Three meetings were convened in 2021 to report the standard for providing the year-end bonus of 2020 to the management, in addition, evaluate the compensations of 2021 for directors and managerial officers, and suggestions were proposed and discussed during the board of directors' meeting.
- (E) In line with the requirement of securities regulator, the Company's Board of Directors resolved on June 23, 2017 to set up an auditing committee to replace supervisors. Four meetings were convened in 2021 and resolutions were submitted to the Board of Directors for ratification to implement corporate governance.
- (F) Establishing the KPI to improve the function and efficacy of the board of directors, the board of directors resolved to approve the Self-Evaluation of the Board of Directors on August 7, 2020. 1 internal assessment is carried out per year and report to the board of directors before

Note 1: In case director is a judicial person, specify its name and the name of its representatives.

Note 2: (1) In case there is any director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.

(2) In case there is reelection for the board of directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

Note 3: Representative of Keyford Development Co.,Ltd., Hsie,Shih-ming, passed away on January 10, 2022.

Note 4: Representatives of Formosa Chemicals & Fibre Corp., Lu, Wen Chin and Tsai, Tien-shuan, were namely replaced by Lee, Ching Fen and Lee, Chien-Kuan since Oct., 15, 2021.

(B) Operation of the auditing committee status

The auditing committee convened four times (A) in the year, as of Dec. 31, 2020, with the status of attendance of independent directors listed below:

Title	Name	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A)	Note
Convener	Lin, Sheng-chung	4	0	100	Independent Director
Member	Kuo, Nein-hsiung	4	0	100	Independent Director
Member	Kuo, Chia-chi	3	1	75	Independent Director

Annotations:

1. If one of the following situations occurs in the operation of the auditing committee, specify the date of the meeting of the board of directors, the term of the board of directors, contents, resolutions of the auditing committee, and approach of the company in handling the opinions of the auditing committee.

(A) Items listed in article 14-5 of Securities and Exchange Act

1. First meeting of the board of directors and first meeting of the audit committee on March 12, 2021

(1) Content: production of the company's 2020 financial statement.

Resolution of the auditing committee: approval by the members present and proposed to the meeting of board of directors for resolution.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(2) Content: production of the company's 2020 "statement on internal control system"

Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(3) Content: It is proposed to appoint Lee Kuo-Yi as chief internal auditor.

Resolution of the auditing committee: all the members, agreed on the proposal which was submitted to the board of directors for resolution.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

2. 2nd meeting of the Board of Directors on May 7, 2021.

(1) Content: Proposal to amend the related regulations on stock affairs.

Resolution of the auditing committee: all the members, agreed on the proposal which was submitted to the board of directors for resolution.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(B) Except the aforementioned items, resolutions passed by the board of directors with the support of two thirds of directors or higher, without screening by the auditing committee beforehand: nil.

2. For abstention of cases by independent directors due to involvement of related interests, specify the names of independent directors, contents of agenda, reasons for abstention, and situation of voting: nil.

3. State of communications by independent directors with in-house auditing chief and certified public accountant (including major items for communications, such as corporate finance and business status, communications methods, and results):

- i. State of communications by independent directors with certified public accountants:
The company's auditing committee consists of all the independent directors and certified public accountant is invited to attend its meeting at least once a year, for report on the audited results of the company's finance and business and possible effect of legal revision on the company's accounting.
- ii. State of communications by independent directors with in-house auditing chief
 - 1. Formulation and revision of the company's "internal-control system" and "enforcement rules for internal auditing" is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.
 - 2. Evaluation of the effectiveness of the company's internal control system (with production of statement) is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.
 - 3. The company's auditing office submits the monthly internal auditing report to independent directors for perusal.
 - 4. Independent directors meet with in-house auditing chief at least once a quarter, for report and communications on the execution status of the company's internal auditing and the operation of internal control. In addition to the production of auditing report on flaws of internal control system and abnormal items discovered in inspection, such problems are recorded for follow-up tracking, to assure adoption of proper improvement measures by related units timely.
- iii. Communication matters and operation of Independent directors with accountants and in- house auditing chief.

Date	Communications method	Communications target	Communications items	Communications result
2021.3.12	Audit committee	Certified public accountant	Communications and explanation for auditing of 2020 financial statement	Good
2021.3.12	Audit committee	Internal audit officer	Production of 2020 statement on internal control system	Submission to the board of directors for resolution
2021.3.12	Audit committee	Internal audit officer	Change of the Internal audit officer	Submission to the board of directors for resolution
2021.3.12	Board of directors	Internal audit officer	The operation of internal control report from November to December, 2020.	Acknowledgement
2021.3.12	Board of directors	Internal audit officer	Production of 2020 statement on internal control system	Acknowledgement
2021.3.12	Board of directors	Internal audit officer	Change of the Internal audit officer	Acknowledgement
2021.5.7	Audit committee	Internal audit officer	Amendments to "Internal Control System" and "Internal audit implementation rules" of the operation of stock affairs	Submission to the board of directors for resolution
2021.5.7	Board of directors	Internal audit officer	Operation of the internal control of Q121	Acknowledgement
2021.5.7	Board of directors	Internal audit officer	Amendments to "Internal Control System" and "Internal audit implementation rules" of the operation of stock affairs	Acknowledgement
2021.7.2	Board of directors	Internal audit officer	Report on improvement of flaws and abnormal items in internal control system in 2020	Acknowledgement

Date	Communications method	Communications target	Communications items	Communications result
2021.8.6	Board of directors	Internal audit officer	Report on the execution of the auditing plan for second quarter of 2021	Acknowledgement
2021.11.5	communication forum	CPA and Internal audit officer	Review the Q321 financial report on the target, scope, procedure and result; Operation of Q321 audit plan	Acknowledgement
2021.11.5	Board of directors	Internal audit officer	Report on the execution of the auditing plan for third quarter of 2021	Acknowledgement
2021.12.10	Board of directors	Internal audit officer	Report on the execution of the auditing plan for Oct. 2021	Acknowledgement
2021.12.10	Board of directors	Internal audit officer	Formulation of 2022auditing plan	Approval by the board of directors

D. Annual work priorities and operational conditions:

1. The audit committee of the Company consists of 3 independent directors. In 2021, 4 meetings were held. The contents of each proposal and the subsequent processing details are as follows: "A. Results of the Audit Committee Resolution and the Company's Treatment of the Audit Committee's Opinions". Highlights are as follows:

- (1) The Company amended the "Internal Control System" and "Internal Audit Implementation Rules".
- (2) Assess the effectiveness of the "internal control system".
- (3) The rationality of the director's own interest relationship proposal.
- (4) Significant asset transactions.
- (5) Major funds are loaned, endorsed or provided with guarantees.
- (6) Annual financial report and semi-annual financial report check and accounting policies and procedures.

E. 2022 will continue to assist the Board of Directors in overseeing the company's financial statements, the selection and resolution of visa applicants, independence and performance, effective implementation of internal control, compliance with relevant laws and regulations, company presence or potential risks.

Note:

- * In case there is any independent director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
- * In case there is reelection for independent directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing post of independent directors and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

(C) Operating status of corporate governance and difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reason

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
A. Does the Company establish and disclose the Corporate Governance Best Principles based on "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies"?	V		The company's board of directors approved the Company's corporate governance principles on Nov. 7, 2014 and posted the contents on the information declaration website designated by the securities regulator and the Company's website http://www.ftc.com.tw/newftc/files.php?m=governance&file=ab6f2cae95c78a49e748895776573bbe for public disclosure.	Compliance with articles 1 - 2 of "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies." Despite some revisions to accommodate the Company's actual situation, the Company's corporate governance principles are in line in spirit with "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies."
B. shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		1.1 The Company has an internal operating procedure for handling shareholder matters and has set up a spokesperson to address shareholder suggestions or concerns at any time. In addition, each functional team in the President Office fully supported the above matters, and have an in-depth understanding and review of the shareholders' suggestions or concerns. After that, an oral or written reply to the satisfaction of the shareholders is proposed. 1.2 As for internal operation in handling stakeholders' affairs, the Company details ways for upholding stakeholders' interests in chapter 2 of the Company's corporate governance best-practice principles.	Compliance with article 13 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		2. The Company shall pay attention to the situation of any increase, decrease or use as collateral in the shares of shareholders holding more than 5% of shares and holding Director or manager positions, and has disclosed the information of shareholders holding more than 5% of shares in the quarterly financial report. The Directors, managers and shareholders holding more than 10% of the shares are disclosed monthly by the information reporting website designated by the securities authority.	Compliance with article 19 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		3.1 Both the Company and its subsidiaries implement profit center management. Each company's personnel, property management rights and responsibilities are clearly divided, and there are no irregular transactions. 3.2 The funds and loans of the Company and its related companies are calculated based on the accrued market interest rate. The amount of loan is reassessed every quarter based on business needs. Guaranteed coverage and limits have also been set for endorsement guarantees for other companies. 3.3 To reduce losses, comprehensive risk assessment for banks, customers, and suppliers are performed. Each company credit authorization to the same customer and stop payment to the same supplier can be review through the computer system. 3.4 The relationship between the Company and the related companies, such as transaction management, endorsement, loans, etc., are monitored. In accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", outlined by the Financial supervisory Commission, the Company has set up supervision and management operations to implement the risk control mechanism for its subsidiaries.	Compliance with articles 14 -17 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		4. The company has formulated "Working rules" and "Guidelines for Prevention of Insider Trading" (access website: http://www.ftc.com.tw/newftc/internal_audit.php?id7), which forbids company insiders to take advantage of undisclosed information in trading in securities for profit illegally, supplemented by timely education and promotion for employees to abide by the regulation.	Compliance with article 10-3 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
C. Composition and Responsibilities of the board of directors (1) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		<p>1.1 The nomination and election of the Board of Directors of the Company complies with Code of Practice for Corporate Governance of the Company and adopted candidate nomination system. Besides the assessment of each candidate's education and experience, the Company takes stakeholders' opinions into consideration and complies with "Rules for Election of Directors of the Company" and "Corporate Governance Principle" to ensure the diversity and independency of the board members. Besides the knowledge, skills and literacy are necessary for the performance of the Board of Director. To achieve the idol purpose of the corporate governance, the overall abilities of the Board of Directors should include: 1. operational judgment, 2. accounting and financial analysis, 3. operation management, 4. risk management, 5. industrial knowledge, 6. perspectives of the international market, 7. leadership, 8. decision-making, etc. The Company's Directors come from diversified backgrounds.</p> <p>1.2 As of the end of April, 2022, 10 Directors are individuals with specialization and experience in industrial management, including 3</p>	Compliance with article 20 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Auditing Committee?		√	<p>Independent Directors and 1 female Director. Independent directors account for 30%, and female directors account for 10% of all directors. The goal for having 1 female director has been achieved; in addition, the Company sets up the goal for directors with different industry experience or expertise to reach more than 50% of the entire board of directors with the aim of deepening the independence and diversity of corporate governance. Each Director's education and experience can be found on page 20~30 of the Report.</p> <p>2. The company's board of directors resolved on Dec. 29, 2011 to establish compensation committee, followed by decision by shareholders' meeting on June 23, 2017 to institute auditing committee. On May 6th, 2022, the Company sets up the sustainability committee in responsible for reviewing the sustainability policy and sustainability report and overseeing the sustainability affairs. More than half of the committee members are independent directors. Relevant regulations have been stipulated in articles 27-30 of chapter 3-3 of the Company's corporate governance principles.</p>	In compliance with Article 28 and Article 28-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Article 28-2 has not been met, since the Company is able to nominate suitable and appropriate Director candidates, and there is no operational need to set up a Nomination Committee.

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(3) Does the Company establish a standard to measure the performance of the board of directors and carry out periodic review of such performance annually? Does the Company report the results of the performance evaluation to the board of directors and use the results as the reference for individual directors' remuneration and renewal.	V		3. The Company has established the "Self-Evaluation or Peer Evaluation of the Board of Directors" upon resolution from the Board of Directors on August 7, 2020. The performance evaluation for 2020 has also been completed, and the results of which have been submitted to the Board meeting convened on December 11, 2021. The preceding information could serve as references in determining remunerations, nomination, and re-election of the Company Directors.	In compliance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(4) Does the Company regularly evaluate the independence of certified public accountant periodically?	V		4. The Company evaluates the independence and competence of CPAs at least once a year, focusing on the size and reputation of the accounting firm, the number of consecutive years of providing audit services, the nature and extent of providing non-audit services, the audit fees, peer review, whether there are any legal proceedings or investigations by the competent authorities, quality of audit services, regular training, interaction with management and internal audit supervisors, etc. Relevant information and statements are requested from CPAs and the firms. The documents are then evaluated by the President Office, and the latest results have been submitted to the Board of Directors on March 9, 2022.	Compliance with articles 29 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons																				
	Yes	No	Summarized explanation																					
D. Has the TWSE listed company been equipped with a qualified or appropriate number of corporate governance personnel, and designated the director of corporate governance to be responsible for corporate governance affairs (including but not limited to, providing Directors and Supervisors with the necessary information to perform business, assisting Directors and Supervisors in legal compliance, handling the relevant matters of the board of directors and shareholders' meetings pursuant to related laws, preparing the minutes of the board of directors and shareholders' meeting, etc.)	V		<p>D.1 The Company has set up a chief governance officer on May 3, 2019, which is the highest supervisor in charge of corporate governance related matters. Qualified personnel to handle corporate governance matters has been designated.</p> <p>D.2 The officer supervises General Management Divisions, which is responsible for corporate governance-related matters and is assisted by the relevant departments such as the Legal Affairs Office of the General Administrative Office, which includes handling Board of Directors and shareholders meetings, taking minutes of such meetings, assisting Directors come to office and continue training, providing Directors relevant information for operations, assisting Directors compliance with law and regulations, and so on.</p> <p>D.3 Chief Governance Officer Training Records in 2021:</p> <table border="1"> <thead> <tr> <th>Date of Training</th> <th>Course</th> <th>Organization</th> <th colspan="2">Training Hours</th> </tr> </thead> <tbody> <tr> <td>2021.09.01</td> <td>The 13th Taipei Corporate Governance Forum (morning session)</td> <td rowspan="2">Financial Supervisory Commission</td> <td>3</td> <td rowspan="4">12</td> </tr> <tr> <td>2021.09.01</td> <td>The 13th Taipei Corporate Governance Forum (aftrenoon session)</td> <td>3</td> </tr> <tr> <td>2021.11.22</td> <td>Prospects of the global economy in the post-pandemic era</td> <td rowspan="2">Securities & Futures Institute</td> <td>3</td> </tr> <tr> <td>2021.11.22</td> <td>The latest development trend and countermeasures of the international carbon border tax</td> <td>3</td> </tr> </tbody> </table>	Date of Training	Course	Organization	Training Hours		2021.09.01	The 13 th Taipei Corporate Governance Forum (morning session)	Financial Supervisory Commission	3	12	2021.09.01	The 13 th Taipei Corporate Governance Forum (aftrenoon session)	3	2021.11.22	Prospects of the global economy in the post-pandemic era	Securities & Futures Institute	3	2021.11.22	The latest development trend and countermeasures of the international carbon border tax	3	Compliance with article 3-1 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
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Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
E. Does the Company has establish a communications channel and build a designated section on its website for stakeholders (including, but not limited to shareholders, employees, customers, and suppliers) as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>E.1 The company has demands various related units in General Management Divisions to communicate with stakeholders according to their duties. A spokesperson and a deputy spokesperson have been appointed as the external communication channel.</p> <p>E.2 The Company set up the stakeholder area on the Company website to provide detailed contact information for the dedicated personnel, including phone number and e-mail, as the channels for the stakeholders to communicate with the Company.</p> <p>E.3 The company responds to issues concerned by stakeholders timely via the following channels:</p> <p>(1) Shareholders and investors: Shareholders' meetings are held annually and shareholders can fully exercise their voting rights through electronic means. In addition, the annual report of the shareholders' meeting, the monthly revenue and the quarterly self-closing profit and loss are issued to facilitate shareholders' understanding of the Company's operating conditions.</p> <p>(2) Employees: mainly concerned with workplace safety, employee welfare, human rights protection, labor and employment issues, etc. Communication with employees can be conducted through labor-management committee, trade unions, factory (office) meetings, etc.</p> <p>(3) Suppliers and contractors: The Company adheres to the principle of sustainable management and fair trade and is committed to working with manufacturers that comply with environmental protection, safety, and human rights standards. Open tenders are held through the platform, and regular briefings are held to strengthen two-way communication and advocacy. In addition, suppliers can ask questions on the platform, and the questions will be replied by personnel immediately. Also suppliers can ask questions via the website, and the questions will be replied by personnel immediately, to achieve the goals with good communications.</p>	Compliance with article 47 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
F. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		V	<p>(4) Customer: Issues including product quality and after-sales service that customers care about can be addressed through customer visits, participating in exhibitions, product briefings, customer satisfaction surveys, etc. The website also lists the sales service line and e-mail address. Customer complaints are handled through the "Customer Response Form" and the "Customer Complaint Handling Form."</p> <p>E.4 For communication with stakeholders, please refer to the Company's 2021 Sustainability Report - identification of stakeholders, concerned issues, communication channels and communication frequency.</p> <p>F. The shareholders' meeting of the Company is currently handled by itself, but the relevant procedures are handled by the designated Share Unit, the Legal Affairs Office and the General Management Divisions in accordance with rigorous regulations, so that the shareholders' meeting will be convened in a legal, effective, and safe context to ensure shareholders' rights.</p>	Although it does not meet the requirements of Article 7-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, it does not impair the operational efficiency of the shareholders' meeting.
G. Information Disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		G.1 The company has established corporate website in both Chinese and English, with website address at www.ftc.com.tw, and disclosed information on finance, business, and corporate governance on "special investor section" of the website.	Compliance with articles 57 and 59 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(2) Does the Company have other	V		G.2 The Company has a spokesperson and a deputy spokesperson. A	In compliance with Article

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
<p>information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed deadline?</p>		V	<p>dedicated person has been appointed in the President Office to collect and disclose Company information, as well as providing the spokespersons and relevant business departments with answers to stakeholders, investors, and authorities.</p> <p>G.3 In principle, the Company announces and declares the operating revenue of the previous month on the 6th of each month (postponed every holiday). The Company also submits and announces financial reports before the deadline in accordance with laws and regulations. Financial Reports of first three quarters of financial year are approved before seven days by the board of directors and declared. Although the verification process of CPA may lead to the delay of announcement of financial report within two months after the end of the fiscal year, the Company still upload and declare the financial report before 75 days after the end of the fiscal year in compliance with "Corporate Governance 3.0 -Sustainable Development Roadmap."</p>	<p>55 paragraph 3 and Article 56 and Article 58 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
H. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g. including, but not limited to, employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors, training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policy, and purchasing insurance for directors and supervisors).	V		<p>People can understand the Company's various corporate-governance operations directly by accessing the Market Observation Post System (http://mops.twse.com.tw/) and the special corporate-governance section on the Company's website (http://www.ftc.com.tw/newftc/governanceop.php). Corporate governance -related inquiry can also be made with the Company's spokesperson, chiefs of related units, and the Company's labor union, with other key information described briefly in the following:</p> <ol style="list-style-type: none"> 1. Employee rights and interests: In order to seek a harmonious labor-management relationship and encourage employees expressing their opinions, the government has established various channels for employees to put forth their opinions, including physical opinion boxes and online opinion box on the Company's website, with designated staffers responsible for understanding and responding to the opinions. To remove blockade to opinion expression, the Company has set up whistle-blower management and protection system, in addition to formulate measures for reporting by employees. Moreover, the Company has held labor-management meetings regularly, wherein chiefs of related units would discuss with labor representatives to understand the stand of labor union on major labor-management issues. Ranking officials also talk with union representatives, for attaining consensus on major labor-management issues, so as to assure harmonious labor-management relationship and the Company's sustainable development. 2. Care for employees: In order to help employees maintain physical and mental health, the Company appropriates budget for arranging physical examination for employees annually, which covers more than mandatory checkup items. The company has maintained employee restaurant, whose operation is subject strict regulations on hygiene and nutrition, covering sources of foodstuff, storage of foodstuff, water, edible oil, and cleanness of service staffers and kitchen. In addition, the Company builds dormitories, basketball 	In compliance with Articles 52 to Articles 54 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>courts in the leisure life area, etc. to provide employees with a high-quality accommodation environment, and sets up special counseling personnel to hold regularly employee visits and seminars, to better understand the employees' status in adapting company. Colleagues are able to immediately consult and negotiate with the counseling personnel when they face difficulties in work or life. For related measures, please refer to E. E. Labor-management relationship of Business Status of Chapter V of the annual report.</p> <p>3. Investor relations : The Company uses the President Office and the shareholding department as a bridge between the Company and its shareholders. In terms of corporate information transparency, the Company's website has an "Investor Relations Section" to provide investors with relevant information. In order to maintain a good relationship with investors, the Company has set up a spokesperson system to provide a means of contact with shareholders and corporate investment institutions, also participating in two online investment forums held by domestic and foreign brokerage firms.</p> <p>4. Supplier relationship: The company's has set up a mechanism for procurement via open bidding, in order to create a platform for fair competition and seek excellent suppliers capable of providing equipment, materials, engineering works, or services at adequate quality and quantity, so as to meet the needs of various units for expansion or operation.</p> <p>4.1 Open and fair procurement mechanism via open bidding: The company carries out procurement and outsourcing via open bidding, accepting bids from prospective suppliers via the Internet, mail, and fax, with all information is strictly controlled according to the chip card certificate. All bids for procurement projects via open bidding are evaluated according to the bidders' management concept of sustainability, ethics and integrity, and optimal quotes, in addition to conformance to the</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>Company's business needs, in terms of quality, delivery, and environmental protection and safety.</p> <p>4.2 Sound supplier management: To assure the quality and delivery of materials, as well as quality and progress of engineering works, the Company has put in place a sound supplier management system, featuring regular evaluation and irregular inspection, in addition to seeking suppliers with good track record in environment protection, in line with the policy of the Environmental Protection Administration pushing green procurement, so as to materialize the policies of energy conversion, energy conservation, carbon abatement, and green consumption.</p>	

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			<p>5. Rights of stakeholders: In line with the Sustainable Development Goal indicators of the UN, the Company has been seeking attainment of good business performance, striving to fulfill the mission of "care for employees, service to customers, and giveback for shareholders," as a result of which the Company bears the responsibility of taking good care of shareholders, customers, suppliers, employees, and the society. The company has to abide by legal requirements and business ethics and norms, and connect with the world for stronger competitiveness, so as to create benefits for shareholders, assure stable supply of quality products at reasonable prices conforming to the conditions of safety, hygiene, and environment-friendliness. Moreover, the Company has strived to become a friend of the environment, develop in the direction of ecological industrial zone, push green industry and green procurement of energy and materials, address various social issues, following the campaign of international organizations, and take part in communal and social public services, so as to fulfill its social responsibilities.</p> <p>6. Director Training Records :</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date of Training</th> <th>Organization</th> <th>Course</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Wong Wen-yuan</td> <td rowspan="4">Nov. 24, 2021</td> <td rowspan="4">Securities and Futures Institute</td> <td>Prospects of the global economy in the post-pandemic era</td> <td>3</td> </tr> <tr> <td>Director</td> <td>Hong Fu-yuan</td> <td>The latest development trend and countermeasures of the international carbon border tax</td> <td rowspan="3">3</td> </tr> <tr> <td>"</td> <td>Lee, Ching-Fen</td> </tr> <tr> <td>"</td> <td>Lee, Chien-Kuan</td> </tr> </tbody> </table>	Title	Name	Date of Training	Organization	Course	Training hours	Chairman	Wong Wen-yuan	Nov. 24, 2021	Securities and Futures Institute	Prospects of the global economy in the post-pandemic era	3	Director	Hong Fu-yuan	The latest development trend and countermeasures of the international carbon border tax	3	"	Lee, Ching-Fen	"	Lee, Chien-Kuan	In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>7. Taking out of liabilities insurance by the Company for directors and supervisors: The company has taken out liabilities insurance for all directors and supervisors, with the total insured amount reaching US\$7 million.</p> <p>8. Status of execution of risk-management policy and risk evaluation standard:</p> <p>8.1 Risk management policy: Belonging to textile manufacturing industry, the Company inevitably has need for forex trading position (deriving from, for instance, import of materials or equipment and export of fabric), plus limited trading in derivatives. However, for the sake of sustainable development, the Company has embraced the principle of steadiness in business policy, dedicated to the quest for core business performance in an earnest manner, while shying away from high-risk and high-leverage speculative -investment benefits. In order to identify, evaluate, supervise, and manage various risks, the Company has endeavored to raise risk awareness among all employees, in the hope of containing possible risks within bearable scope and attaining the balanced goal of rationalizing risks and returns and optimizing benefits. For explanation for related risks, please refer to pages 170~176 of the annual report.</p> <p>8.2 Risk management mechanism: In trading in derivatives, confirmation and delivery for the trading are carried out by separate staffers. Traders must deal with counterparts of institutional partner for the trading directly</p>	In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>according to trading method set according to approved trading contents. Countermeasures must be taken immediately upon discovery of irregularities in trading prices or specifications.</p> <p>8.3 The company has instituted internal auditing office, reviewing irregularly efficacy and propriety of various risk-hedging trading and producing auditing reports for submission to the board of directors regularly, for continuing tracking and improvement.</p> <p>8.4 Formulation of trading strategy: In line with the Company's forex need and fund in hand, as well as market trend, formulate risk-hedging strategy and select proper financial products, avoiding in principle expansion of trading volume exceeding own need and overstretching of credit line, so as to contain loss within bearable scope, on top of setup of stop-loss criteria.</p> <p>8.5 Trading strategy: The company's forex risk-hedging trading is mainly for reducing risk for the net forex position. The company engages in spot or forward forex trading at relatively advantageous timing, in line with level of forex holding resulting from business activities and the need for pay off long-term forex-denominated debts, so as to minimize the effect of exchange-rate fluctuation on the Company's revenue and profit.</p> <p>8.6 Evaluation of loan and risk-hedging positions according to market prices: A special unit of the president's office evaluates twice monthly the unrealized profit/loss of the risk-hedging positions of various forward forex contracts according to market prices for submission of the finding to managerial staffers, to help them have firm grip on the risk status of the Company's forex position and the efficacy of risk-hedging trading.</p> <p>9. Status of the execution of customer policy: As customers are the</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>cornerstone for the survival and continuation of enterprise, it is essential to provide products and services needed by customers in a quick manner, so as to attain a stable relationship based on honesty and trust for mutual benefits and prosperity.</p> <p>9.1 Forging a stable supply-demand relationship: Given the critical relationship with customers for mutual survival and prosperity, a key task for any enterprise in its quest for sustainable development is to forge a stable supply-demand relationship with customers. With an eye on long-term industrial development and in line with customers' global marketing, the Company has forged a longstanding good cooperative relationship with customers, based on integrity-oriented trading, reasonable pricing, stable supply and demand, realizing mutual benefits and prosperity.</p> <p>9.2 Enhance competitiveness of medium- and downstream customers: Only via sharing of growth benefits with medium- and downstream customers can an enterprise attain sustainable development. The company's R&D center would discuss with medium- and downstream branded customers for formulating a win-win strategy before development of new products, not only facilitating pushing of new products but also augmenting customers' competitiveness.</p> <p>9.3 Resort to e-commerce to cut cost and raise efficiency: In order the raise the efficiency of customer services, the Company has established a corporate website, online customer service system, and online marketing system, enabling customers to access in real time product information, progress of production for orders, inspection report, warehousing and shipment status. Also in place are rear-end systems, including project customer performance evaluation system, forecast and tracking system for customer orders, and product inspection system, so as to enhance the</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>service standard and the extent of customer satisfaction, as well as reduce operational errors and cost.</p> <p>9.4 Materialization of K.P.I benefits:</p> <p>In response to the demands of customers, the Company has embraced and actively implemented KPI (key performance indicators) system, including first pass yield rate at one try and punctual delivery rate.</p>	

H. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

1. The Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. published the results of the seventh annual corporate governance evaluation of 2021. The company is listed in the 6% to 20% of listed companies. The countermeasures for the priority improvement of the Company's un-scored matters in the sixth corporate governance evaluation are described below:

Category	Evaluation Indicator	Improvement Status
Items Improved	1. Has the average attendance rate of the entire Board of Directors subject to the annual evaluation reached 85% or more?	The attendance rate of the board of directors in the assessed year is over 50%.
	2. Did the Company adopt bylaws prohibiting insiders, including directors and employees, from using information not available in the market for personal gain, and were those bylaws and the status of their implementation disclosed on the company's website?	The Company has held the anti insider trainings in the second half of 2021.
Improvement Set as a Priority	1. Has the Company's annual report disclosed the link between Directors' and managers' performance evaluation and compensation?	To refer to the example of the indicator, descriptions on specifically the donation and its is elaborated.
	2. Has the Company set up functional committees other than those required by the law, comprising no less than three members each, with more than half the members being Independent Directors, as well as disclosed the composition, duties, and operations of these committees?	In order to facilitate the promotion of ESG, the Company will study the feasibility of setting up a sustainability committee under the board of directors.

Note: Whether checking yes or no for operating status, make description in the column of summarized explanation.

(D) Disclosure of information on directors' professional qualifications and independence of independent directors:

1. Information on members of remuneration committee

April 26, 2022

Capacity (Note 1)	Criteria		Independence analysis (Note 3)	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name	Professional qualifications and experience (Note 2)		
Independent Director (Convenor)	Lin, sheng- chung	Independent Director, Lin, Sheng-Chung, with a wealth of experience and business management, acts as the member of the remuneration committee since June, 2020. For further information of his professional qualification please refer to "Director- Director Data."	Please refer to "Director-Director Data" for further information of independence analysis.	3
Independent Director	Kuo, Nein- Hsiung	Independent Director, Kuo, Nein-Hsiung, with a wealth of industrial knowledge and business management, acts as the member of the remuneration committee since June, 2020. For further information of his professional qualification please refer to "Director- Director Data."		0
Independent Director	Kuo Chia- chi	Independent Director, Kuo Chia-chi, with a wealth of industrial knowledge and business management, acts as the member of the remuneration committee since June, 2020. For further information of her professional qualification please refer to "Director- Director Data."		1

Note 1: Please state the relevant working experience, professional qualifications, experience, and independence of each member of the Remuneration Committee in the table. Where a member is an independent director, a separate note may be added to refer to relevant information in Attachment One on Page XX, "Information on Directors and Supervisors (I)". Please specify a person's identity as an independent director or others in the identity column (please indicate in a note where the person is a convener).

Note 2: Professional qualifications and experience: please describe individual Remuneration Committee members' professional qualifications and experience.

Note 3: Compliance with independence standards: please state that Remuneration Committee members are in compliance with independence standards, including, but not limited to, whether himself/herself, his/her spouse, and any relative within the second degree of kinship is a director, supervisor, or employee of the Company or its affiliates; the number and proportion of shares held by himself/herself, his/her spouse, and any relative within the second degree of kinship (or in the name of others); whether he/she is a director, supervisor, or employee of a

company in a specific relationship with the Company (refer to Article 6-1, paragraph 5 to paragraph 8 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount of remuneration obtained for providing commercial service, legal service, financial service, accounting service, and other services to the Company or its affiliates in last two years.

Note 4: For disclosure methods, please refer to the example of best practices on Corporate Governance Center of Taiwan Stock Exchange website.

2. Information on the operation of the remuneration committee

(1)The company's remuneration committee consists of three members.

(2)Term of the members of the current committee: From June 19, 2020 through June 18, 2023, with the qualifications of the members and their attendance in the four meetings (A) in the recent year listed below:

Title	Name	Times of attendance (B)	Times of attendance via proxy	Attendance rate (%) (B/A) (note)	Note
Convener	Lin, Sheng-chung	3	0	100	
Member	Kuo, Nein-hsiung	3	0	100	
Member	Kuo Chia-chi	2	1	66.7	

Status of operation:

A. The company's board of directors resolved on Aug. 25, 2011 to set up the remuneration committee.

B. The committee convened three times in 2021.

Other items mandating record:

A. In case of rejecting or revising the suggestions by the remuneration committee, the board of directors should specify the date of the board meeting, the term of the board, contents of agenda, resolutions of the board meeting, and handling of the opinions of the remuneration committee (should the level of remunerations passed by the board of directors be higher than that suggested by the remuneration committee, the extent of difference and reasons should be specified): nil

B. In case there is any member opposing or having reservation for the resolutions of the remuneration committee, on record or in written form, the committee should specify the date of the meeting, the term of the committee, contents of agenda, opinions of all the members, and handling of the contrarian opinion:

Meeting of Remuneration Committee Date and term	Proposal content, opinions of all members and company processing results
January 22,2021 (first meeting in 2021)	1. The year-end bonus of 2020 of managers were compared with the standard report of the year-end bonus distribution of all employees, which was calculated according to the Company's "year-end bonus and remuneration distribution method," reviewed by the Remuneration Committee. It is expected to be issued on January 27, 2021. Resolution results of the remuneration committee: Acknowledgement. The Company's treatment of the remuneration committee's opinion: None.
March 12,2021 (second meeting in 2021)	1. Propose to prepare the 2020 Remuneration of Directors, please make resolution. Resolution results of the remuneration committee: all members present

	<p>approved and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal, which was submitted to the 2021 Annual Meeting of Shareholders to report.</p>
<p>August 6, 2021 (third meeting in 2021)</p>	<p>1. Propose to discuss the 2021 annual salary of the managers adjusts in line with the all employees' compensation. Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal.</p>

Note:

1. In case there is any member of the remuneration committee leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
2. In case there is reelection for the remuneration committee by the end of the year, information on both original and new members should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
3. The Company's Remuneration Committee consists of three independent directors appointed by the resolution of the Board of Directors. Convener is selected among the members. Term of office is the same as the Board of Directors. Three meetings were convened in 2020 to set up the remuneration of the current chairman and vice chairman, monthly salary of managers, year-end bonus etc. and submitted to the Board of Directors for ratification.
4. The Company has stipulated the "Organization Regulations of the Remuneration Committee". The Committee shall perform the following duties faithfully with the care as a good manager, and submit the recommendations to the Board of Directors for discussion:
 - (1) Regularly review this Regulation and propose amendments.
 - (2) Formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration.
- (3) Regularly evaluate and determine the remuneration of directors and managers. °
5. Member and Operation of the Nominating Committee: The Company has not set up the nominating committee.

(E) Fulfillment of Social Responsibilities and Deviations from the “ Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” :

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
1. Does the Company establish a governance structure to promote sustainable development as well as an exclusively (or concurrently) dedicated unit to implement sustainable development and have management appointed by the Board of Directors to be in charge of sustainable development and to report the implementation status to the Board of Directors?	V		<p>1.1 To promote Corporate Sustainability, the president, Lee, Ming-Chang, has been appointed as the general convener and the vice president of each business sector as vice convener. President Office, safety and health department, accounting department, and other units form “The Sustainable Development Team” which is dedicated to the implementation of corporate sustainability.</p> <p>1.2 The sustainable development team holds regular meetings to report the company's implementation status of sustainable developments, including sustainable development policies, goals and management policies, risk management, climate change risks and opportunities, greenhouse gas and energy management, and sustainability report, etc, which is reported to the board of directors each June.</p> <p>1.3 The Company assesses the risk of environmental, social, and governance issues based on the influences on the stakeholders, and establish effective risk management policy to avoid and reduce the loss.</p> <p>1.4 Additionally, the Company will review the establishment of a sustainability committee under the Board of Directors in 2022 to strengthen the implementation of the supervision mechanism for promoting sustainable development.</p>	In compliance with the Article 9 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons								
	Yes	No	Summary(Note2)									
2.Does the Company conduct risk assessment in regards to environmental, social, and governance topics related to company operations in accordance with the materiality principle, and establish relevant risk management policy or strategy? (Note 2)	V		<p>The President's office of the Company, together with the departments of the management headquarters, assesses the risk impacts of material issues affecting the operation of the Company according to the degree of impact on stakeholders, and sets the risk management policies that can effectively identify, measure, evaluate, and monitor risks. The purpose is to prevent future risks and reduce the impact and damage.</p> <p>1.Environmental issues:</p> <table border="1"> <thead> <tr> <th>Evaluation Item</th> <th>Risk Management Plan</th> </tr> </thead> <tbody> <tr> <td>Climate Change</td> <td>Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.</td> </tr> <tr> <td>Water Resources Management</td> <td>1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use. 2. Improve the technology and wastewater treatment recycling rate to lower the water consumption.</td> </tr> <tr> <td>Greenhouse Gas Emissions</td> <td>1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.</td> </tr> </tbody> </table>	Evaluation Item	Risk Management Plan	Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.	Water Resources Management	1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use. 2. Improve the technology and wastewater treatment recycling rate to lower the water consumption.	Greenhouse Gas Emissions	1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.	In compliance with the Article 3 paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
Evaluation Item	Risk Management Plan											
Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.											
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Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>2. Invest in the development of green products, improve product weather ability and reusability, reduce carbon emissions generated during production processes, and extend product life cycle.</p> <p>3. Conduct carbon footprint inventories to set short, medium, and long-term carbon emission targets as well as apply for carbon offsets in response to legal impacts.</p>	
			<p>Energy Management</p> <p>1. Introduce energy-saving and high-performance equipment as well as set up energy-saving goals to continue to reduce the power usage per product unit.</p> <p>2. Implement energy conservation and improvement measures, including reducing energy consumption during production processes, energy reuse, waste heat reuse, improving equipment efficiency, and energy management.</p>	
			<p>Air Pollutant Management</p> <p>1. Replace thermal oil boilers with natural gas boilers to reduce the emissions of GHG and air pollutants, while the efficiency of the boilers has also increased accordingly.</p> <p>2. Strengthen the control and improvements over leakages of facility components and strengthen the monitor of air quality.</p> <p>3. Adopt even higher standards in the</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>supervision and management of the plant environments, and install additional air pollution prevention equipment to reduce the discharge of pollutants.</p> <p>Green Energy</p> <ol style="list-style-type: none"> 1. Install solar power panels on plants in Taiwan, China, and Vietnam to reduce carbon emissions. 2. Devote to “Carbon reduction, Green Program” to establish sustainability environment. <p>Waste Management</p> <ol style="list-style-type: none"> 1. Follow the principles of source management, processing waste reduction and recycling and reuse to minimize waste generation and to maximize resource recovery. 2. Be in line with applicable laws by implementing the qualification review and management of waste treatment vendors to ensure the proper treatment of waste for reducing the impacts on the environment. 3. Uphold the philosophy of circular economy, cross-plant and cross-office energy and resource integrations to 	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons										
	Yes	No	Summary(Note2)											
			<table border="1"> <tr> <td></td> <td>achieve "zero waste" goals.</td> </tr> <tr> <td colspan="2">2.Social issues:</td> </tr> <tr> <td>Evaluation Item</td> <td>Risk Management Plan</td> </tr> <tr> <td>Human Rights</td> <td>The President, Lee, Ming-Chang has signed a human rights policy that ensures compliance with international human rights standards and the local labor laws at the Company's global operational sites. The Company is committed to equal employment and to creating a work environment free from prejudice and harassment. At the same time, personal privacy is respected and diverse communication channels for employment relations and grievances mechanisms have been formulated to ensure the rights of our workers.</td> </tr> <tr> <td>Talent Recruitment and Development</td> <td> <ol style="list-style-type: none"> 1. Actively participate in campus placements, offer internship programs, and collaborate with universities and colleges through a variety of open recruitment channels to improve the efficiency of recruitment. 2. Provide steady and competitive compensations and benefits and plan comprehensive personnel training.to encourage employees to acquire </td> </tr> </table>		achieve "zero waste" goals.	2.Social issues:		Evaluation Item	Risk Management Plan	Human Rights	The President, Lee, Ming-Chang has signed a human rights policy that ensures compliance with international human rights standards and the local labor laws at the Company's global operational sites. The Company is committed to equal employment and to creating a work environment free from prejudice and harassment. At the same time, personal privacy is respected and diverse communication channels for employment relations and grievances mechanisms have been formulated to ensure the rights of our workers.	Talent Recruitment and Development	<ol style="list-style-type: none"> 1. Actively participate in campus placements, offer internship programs, and collaborate with universities and colleges through a variety of open recruitment channels to improve the efficiency of recruitment. 2. Provide steady and competitive compensations and benefits and plan comprehensive personnel training.to encourage employees to acquire 	
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Human Rights	The President, Lee, Ming-Chang has signed a human rights policy that ensures compliance with international human rights standards and the local labor laws at the Company's global operational sites. The Company is committed to equal employment and to creating a work environment free from prejudice and harassment. At the same time, personal privacy is respected and diverse communication channels for employment relations and grievances mechanisms have been formulated to ensure the rights of our workers.													
Talent Recruitment and Development	<ol style="list-style-type: none"> 1. Actively participate in campus placements, offer internship programs, and collaborate with universities and colleges through a variety of open recruitment channels to improve the efficiency of recruitment. 2. Provide steady and competitive compensations and benefits and plan comprehensive personnel training.to encourage employees to acquire 													

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			certificates or professional qualifications, and offer reasonable and smooth promotional channels for outstanding employees.	
			<p>Occupational Safety and Health</p> <ol style="list-style-type: none"> 1. Build a safe and healthy work environment and implement hazard identification and risk evaluations at appropriate times and carry out risk mitigation measures and emergency response drills to reduce employees' occupational risks. 2. Continue to offer special health checkups to operators exposed to elevated risks, and implement tiered health management and follow-up based on the results. 3. Care for employees' dietary and nutritional needs and health, and promote relevant courses and activities to build a healthy work environment. 4. Plan comprehensive response and protective measures against diseases to achieve both employee's well-being and uninterrupted operations. 	
			<p>Social Engagement and</p> <p>Uphold the philosophy of "giving back what is taken from the society," to dedicate to</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons						
	Yes	No	Summary(Note2)							
			<p>Contributions contributing to the society and fulfilling social responsibilities and encourage employees to actively participate and promote various community events to strengthen interactions with the local residents.</p> <p>3. Governance issues:</p> <table border="1"> <thead> <tr> <th>Evaluation Item</th> <th>Risk Management Plan</th> </tr> </thead> <tbody> <tr> <td>Board Duties and Functions Strengthening</td> <td>To formulate the diversified directors policy, plan director's training programs, and provide directors the latest regulations and the information such as ESG trends, industry development, or policy, etc; additionally, to acquire directors and supervisors liability insurance.</td> </tr> <tr> <td>Strategic Operations</td> <td>To achieve the goal of sustainable operations, the Company continues to develop high-value and differentiated products. Long-term contracts are signed with customers and suppliers to maintain fair supply-demand relations. Additionally, the Company continues to improve processes and to enhance competitiveness to reduce operating risks.</td> </tr> </tbody> </table>	Evaluation Item	Risk Management Plan	Board Duties and Functions Strengthening	To formulate the diversified directors policy, plan director's training programs, and provide directors the latest regulations and the information such as ESG trends, industry development, or policy, etc; additionally, to acquire directors and supervisors liability insurance.	Strategic Operations	To achieve the goal of sustainable operations, the Company continues to develop high-value and differentiated products. Long-term contracts are signed with customers and suppliers to maintain fair supply-demand relations. Additionally, the Company continues to improve processes and to enhance competitiveness to reduce operating risks.	
Evaluation Item	Risk Management Plan									
Board Duties and Functions Strengthening	To formulate the diversified directors policy, plan director's training programs, and provide directors the latest regulations and the information such as ESG trends, industry development, or policy, etc; additionally, to acquire directors and supervisors liability insurance.									
Strategic Operations	To achieve the goal of sustainable operations, the Company continues to develop high-value and differentiated products. Long-term contracts are signed with customers and suppliers to maintain fair supply-demand relations. Additionally, the Company continues to improve processes and to enhance competitiveness to reduce operating risks.									

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>Ethical Business Conduct Various regulations concerning ethical conduct are stipulated and governance and risk control mechanism are instilled. To implement ethical corporate management in practice, the risks of unethical conduct are immediately evaluated and preventive measures are established accordingly.</p> <p>Legal Compliance The Company maintains rigorous requirements over legal compliance during business activities, and stays informed and responds to changes in policies and laws on a timely basis. Additionally, a dedicated Legal Department has been established, and standardized contract samples have been drawn up. Legal compliance training is also conducted to reduce legal risks.</p>	
<p>3. Environmental issues</p> <p>(1) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?</p>	V		<p>1.1 The Company formulated the administrative standards for security and health management, management information systems, office automation systems in accordance with the environmental protection laws and regulations formulated by the Environmental Protection Administration (such as the Air Pollution Control Act, the Water Pollution Control Law, the Waste Disposal Act and the Toxic and Concerned Chemical Substances Control Act, etc.), and strengthened the</p>	<p>In compliance with Article 13 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	V		<p>management of the security zone in the plants area through the improvement of the system. In addition, the Company collects environmental expenditure information, environmental expenditure benefits, and informs stakeholders of environmental protection measures. (For details of the environmental management system based on industrial characteristics, please refer to Environmental Aspects of the 2021 Sustainability Report.)</p> <p>1.2 To meet our corporate social responsibility and future requirements for GHG reductions, FTC has set up and maintained a systematic inventory of GHG emissions in accordance with ISO 14064-1. Furthermore, SGS Taiwan is commissioned to conduct Scope 1 and Scope 2 GHG inventories in order to ensure that the inventory is accurate and can be used as a basis for future improvement in GHG reductions. The Company participates in the carbon disclosure issued by CDP to respond the needs of investors and stakeholders to dedicate to climate actions.</p> <p>2.1 The company continues to promote energy conservation, emission reduction and circular economy, and integrates energy and resources across factories to improve energy efficiency. In recent years, AI and installation of solar power panels have been used to carry out industrial safety management and process optimization to improve production efficiency and maximize energy utilization.</p>	In compliance with Article 12 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(3) Does the Company assess potential risks and opportunities arising from climate change, and establish relevant risk management policy or strategy?	V		<p>2.2 The Company continues to improve the methods on recycling rate from wastes such as recycled polyester from ghost nets, discarded plastic bottles, and used clothes.</p> <p>2.3 From raw material procurement to product sales, the Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow market trends and meet customer's needs, the Company has shifted its focus to producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. (For details of the specific practices and products that are environmentally friendly, please refer to Environmental Aspects of the 2021 Sustainability Report.)</p> <p>3.The Company continued to assess potential risks and opportunities arising from climate change in aspects of finance, reputation, global economy, energy cost volatility, and environmental compliance costs, set energy conservation targets and measures, and develop eco-friendly products to keep the business operations stable and competitive. The Company signs up to support the Climate-related Financial Disclosures (TCFD) and disclose information on the Company's governance, strategy, risk management, indicator and targets for climate-related risks and opportunities in accordance to the TCFD. (Please refer to 3.2.4 Risks and Opportunities Arising from Climate Change of the 2021</p>	In compliance with Article 17, paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(4) Does the company monitor its greenhouse gas (GHG) emissions, water consumption, and waste volume for the past two years, and establish policies for energy conservation, carbon and GHG reduction, water consumption reduction, waste volume reduction accordingly?	V		Sustainability Report.) 4. The Company regularly commissions SGS (Taiwan Inspection and Technology Corporation) to conduct greenhouse gas inventory. For energy conservation and carbon reduction, the Company will set a specific reduction target each year. (For further details, please refer to refer to IV. Environmental Aspect, the second to fourth chapters of the 2021 Sustainability Report.)	In compliance with Article 17, paragraph 2~3 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
4. Social issues (1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?	V		1.1 In order to uphold the basic human rights of stakeholders, including employees and customers, In addition to complying with Labor Standards Act and other relevant labor regulations, the Company abides by the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprise and Social Policy, in the formulation of personnel regulations and systems, providing employees relatively steady pays, board and lodging, promotion and other development system, and improved safety and hygiene, so as	In compliance with Article 18 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(2) Did the company establish and implement reasonable employee benefits (including compensations, holidays, and other benefits), and appropriately reflect its business performance and results on its employee compensations?	V		<p>to protect employees' rights and help them develop multiple professional capabilities. The President of the Company, Lee Ming-Chang, officially signed the human rights policy in April 2019. For the detailed content of and human rights protection, please refer to the website http://www.ftc.com.tw/newftc/regulations.php, and refer to V.(I).i. Human Rights Protection of the Company's 2021 Sustainability report</p> <p>2.1 The Company has clear regulations on employee promotion, assessment, training, rewards, and punishments. The salary for new recruits is based on the qualifications required for the job. Female and male employees of the same position and rank receive equal pay for equal work. Employee performance is reviewed regularly in order for raise and promotion to be given accordingly.</p> <p>2.2 The Company's fixed holidays are Saturdays, Sundays, national holidays and other dates that are designated as holidays by the central competent authority. Employees are granted annual paid leaves in accordance with the Labor Standards Act. For other employee benefits, please refer to E.E. Labor-management relationship of V. Business Status of this annual report.</p> <p>2.3 Article 30 of the Articles of Incorporation of the Company states that when allocating the net profits for each fiscal year, the Company shall set aside 0.05% to 0.5% of the balance of</p>	In compliance with Article 21, paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	V		<p>pre-tax profit prior to deducting employees' compensation as compensation of employees. In addition, the Company provide year-end bonus and formulate the degree of salary increase each year according to operation performance of the Company.</p> <p>3.1 The Company regularly provides health and education information for employees. In order to enhance employees' safety and health awareness, the Company distributes "work hazard reminder cards" and "safety and hygiene manuals" to remind employees of work safety through education, training, and safety observation.</p> <p>3.2 The ISO 45001 Occupational Safety and Health Management System and the Taiwan Occupational Safety and Health Management System (TOSHMS) certifications have been obtained by Taiwan plant. (For details on how to improve employee safety in the workplace, please refer to Health and Safety of the 2021 Sustainability Report)</p>	In compliance with Article 20 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(4) Has the Company established an effective competency development career training program for employees?	V		<p>4.1 Through the e-training management system, the Company ensures that personnel are gradually completing the training of new personnel, foundation, professional and cadre reserve. In addition, in line with the work and safety needs of individual units, counseling staff with professional licenses hold occasional seminars on various topics as well as strengthening human rights and workplace safety awareness courses. For more details of the lessons of human rights,</p>	In compliance with Article 21, paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(5) Does the company follow relevant laws, regulations and international guidelines in terms of customer health, safety, and privacy, as well as when marketing or labeling its products and services and has the company established relevant consumer protection policies and grievance procedures?	V		<p>please refer to the Company's 2020 Corporate Social Responsibility Report V. (I) .i Human Rights Protection and V. (I) .iv Personnel Training.</p> <p>4.2 In addition, in response to the rapid development of AI and big data application technology, the Company has dispatched employees to participate in the technical leadership training classes and executive programs at the Taiwan AI Academy.</p> <p>5.1 The Company's textile products is a large B2B transaction; except for the gas station, which is a retail business, most products are not directly sold to general consumers, therefore there are few marketing activities such as media advertising and publicity; For regulatory promotions, all units will consult the Formosa Plastics Enterprise Legal Affairs Office to avoid violating laws and regulations. In addition, the Company has stipulated the "Personal Asset Management Measures" to strictly limit and control the query of personal data to protect customer privacy.</p> <p>5.2 Customer relationship management is an important part of the Company's sustainable operation. In order to understand the valuable opinions of customers, the Company has clearly defined the customer complaints pipeline as well as return and compensation application procedures so that customers can express relevant appeals through the Response Form. Product complaints are handled by the salesperson filling out the Customer Complaint Handling Form for all returns and</p>	In compliance with Article 24 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(6)Has the company established supplier management policy and require suppliers to comply with relevant standards on environmental protection, occupational safety and health, or labor and human rights issues?	V		<p>exchanges. The process is also monitored by the computer system. Another method for customers to make inquiries or comments is to contact the telephone number or e-mail address listed on the official website. Comments and suggestions are prioritized according to the level of importance and timeliness. They are then forwarded to the relevant departments to ensure that the Company meets all customers' needs.</p> <p>6.1 The Company strictly requires raw material suppliers to comply with Oeko Tex Standard 100, Substances of Very High Concern (SVHC), no organic tin component guarantee, no APEOs component guarantee, ZDHC restricted chemical content questionnaire declaration, and dangerous goods transportation must meet standard conditions such as national regulations on safe transportation. It is clearly stipulated in the terms of the procurement contract that suppliers are required to comply with the regulations. The principle of sustainable management shall be clearly stated in the "Inquiry Form" and "Order Notice" to abide by the fair trading principle. Suppliers are required to follow the principles of environmental protection, occupational safety and human rights. Unqualified products and materials shall be rejected and shall be included in the supplier's evaluation and review. Suppliers with serious violation shall be banned from cooperation. For details of supplier management</p>	In compliance with Article 26 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			practices, please refer to the Company's "2021 Sustainability Report._Raw Material Management and Assessments of Suppliers 'Environmental Conformity.	
5.Does the company refer to guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Has the aforementioned statement received any validation or guarantee from third-party accreditation/attestation organization?	V		The content structure of the Company's 2021 Sustainability Report is based on the Global Resiliency Reporting Association's GRI standards guidelines, written in accordance with the guidelines and framework outlined in the Core Options, and exposes the Company's main sustainability issues, strategies, goals and objectives, as well as measures. Verified by SGS Taiwan, an impartial third-party unit, and is disclosed in accordance with the core options, and is presented in international common indicators.	In compliance with Article 29 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
6. Where the Company has established its own Best Practices on sustainable development according to the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and actual implementations taken by the Company :				
Note : The Company passed the resolution of the "Corporate Social Responsibility Code" as set out in the resolution of the Board of Directors on August 7, 2015. On May 6, 2022, the board of directors approved to rename "Corporate Social Responsibility Code" as " Sustainability Development Principles." Although the Company's practice has been slightly revised, the established code and the "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" comply with the same spirit. For the operation of the Company's Sustainability, please refer to the 2021 Sustainability Report and website description.				
7. Other important and helpful information in understanding sustainable development operation :				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>(Explanation 1) Relevant systems and structures: The Corporate Social Responsibility Committee was founded on March 6, 2015, constituting with the functional teams of president’s office. In January, 2022, the committee was reshuffled and renamed as “Sustainability Committee” to drive the sustainability commitment. The business content includes three aspects: environmental protection (E), social responsibility (S), and corporate governance (G). Among them, the environmental protection (E) aspect is subdivided into 8 important topics: 1. Climate-related financial disclosure 2. Circular economy - energy (resource) efficiency improvement 3. Circular economy - plastic recycling 4. Integration of international carbon reduction initiatives 5. Safety and green procurement (including transportation and packaging) 6. Renewable energy and green energy 7. Green product research and development and promotion of the green industry. The president, Lee Ming-chang, serves as the general convener, in responsible for strategy formulation, goal planning, performance monitoring and management policy about the Company’s ESG. President Office, safety and health department, accounting department, and other units form “The ESG Unit to be responsible for corporate governance, work safety and environmental sustainability, water and energy saving, product and customer service, supplier and contractor management, happy workplace, good neighbors and other related work. The president holds regular meeting every month to review the operation of ESG of the Company. In line with the order from Financial Supervisory Commission and the policy, the committee was approved to be governed by the board of directors by the BoD meeting on May 6, 2022. The committee regularly report the strategy and the execution to the Board. The Committee is constituted with five directors (three independent directors and two directors, Lee, Ming-Chang and Lee, Chien Kuan), and director, Lee, Ming-Chang, acts as the convener of the Committee.</p> <p>(Explanation 2) Social welfare engagement of the enterprise</p> <ol style="list-style-type: none"> The system, measures, and performance of environmental protection, safety, and health : It is a company's social responsibility to assure the safety of products, employees, contractors, factory premises, and community, which has become an essential element in corporate competitiveness. We believe any disaster and accident, big or small, is avoidable. Adhering to high-standard universal values, the Company utilizes the power of organization and system to attain its objective, asking all unit chiefs to understand and take part in the initiative, providing promotion and education/training, and demanding faithful execution of system, and seeking constant improvement in performance figures. A. The company has installed at factory premises detection and analytical instrument for the quality and quantity of discharged waste water, with upgrading of information on screen once every 15 seconds. The instrument is linked to the municipal environmental protection bureau for inspection, for joint prevention of water pollution. The company has also implemented by its own various 				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>energy-conservation and waste abatement measures, green procurement, resources recycling, employment of non-toxic chemicals, and decrease of packaging materials, in a continuing effort in materializing the vision of green factory.</p> <p>B. Voluntary energy saving and carbon reduction: The Company has long devoted itself to promoting energy saving and carbon reduction campaigns. Over the past three years, the Company was awarded as the best enterprise to voluntarily save energy and reduce carbon emissions.</p> <p>C. CDP carbon disclosure: In 2021, based on the responses to CDP's questionnaires, what FTC received are as follows:</p> <p>(1) Climate Change: FTC has rated "A-," higher than Textiles & fabric goods sector average of "C," for consecutive three years.</p> <p>(2) Water security: FTC has rated "A-."</p> <p>3. Employ cutting-edge and energy conserving equipment in priority, either for new installation or replacement purpose. Throughout the company's factory premises, including whole set of machinery and facilities and small items such as lights and faucets, the Company has adhered to the practices of energy conservation, consumption reduction, emission reduction, recycling, circular or repetitive use, toxin-free, and degradability. The company has strived to have all machinery equipment in factory to function and stop at the same time, so as to attain energy conservation and cut consumption via concentrated production, leading to cost reduction and environmental improvement in long run.</p> <p>4. To install solar power generator:</p> <p>(1) In September, 2019, Formosa Taffeta Vietnam Co., Ltd. completed its solar power panels, whose annual electricity production reaches to 1.7 million kW.</p> <p>(2) In March, 2021, Formosa Taffeta Vietnam Co., Ltd. started to install its solar power generator of phase two, reaching its capacity to 1,750 kW.</p> <p>(3) In May, 2021, in collaboration with Z-WAY Solarpower company, Formosa Taffeta Co., Ltd. set up the solar panels. The annual power generation from solar photovoltaic systems reaches to 35 million kWh in total as the aforementioned equipment is completed. It is calculated that 17,815 tons of CO2 emissions can be reduced, equal to the amount of carbon sequestration of 2.51 million trees of a year.</p> <p>5. System and measures for communal participation and status of implementation: It is the Company's policy to become a good neighbor of nearby communities, communicating friendly with their residents and giving them multiple assistances, upholding a good common environment jointly, taking part in various local public services, and helping take care of poor families and underprivileged groups, so as to build an emotional bond with neighboring communities. Meanwhile, employees have also organized by their own public-service clubs, to provide givebacks to neighboring communities, such as communal cleaning, manifesting</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons																					
	Yes	No	Summary(Note2)																						
			human care and love and contributing to formation of a harmonious community.																						
6.			System and measures for social contribution, social service, and social benefits and status of implementation: In line with the spirit of "diligence and down-to-earth style," the Company has been pushing the management concept of "harmony, innovation, service, and dedication," as embodied in honest tax payment, high regard for environment protection and industrial safe, and care for employees, so as to uphold the company's corporate image and repute, give back to the society, and fulfill corporate social responsibilities.																						
7.			All employees must constantly improve their specialties and take into account safety, hygiene, and environmental protection in any decision, thoroughly understand the spirit of system for faithful implementation, tackle root causes for problems, embrace SOP of international brands, and safeguard safety of oneself, colleagues, and neighbors, uphold natural environment, and protection corporate assets. Adhering to the concept of "co-existence of industrial development and environmental protection," the Company believes that fulfillment of social responsibility is critical for sustainable development.																						
8.			The company has been continuously caring for the society, assisting the underprivileged, and taking part in public services, in the fields of education, industry, academia, and society:																						
			a. Education: Dated back to early stage of Taiwan's economic development, the Company cooperated with "Dade vocational high," providing part-time job opportunities to students from poor families and enabling them to work at the Company or seek advanced study after graduation, a program which lasted until 2009, due to the reduced need of the school. For decades, the Company has run kindergarten, tuition free, to accommodate children of employees and neighboring residents.																						
			b. The company supports 19 employee clubs dedicated to healthful and social-benefits activities.																						
			c. Other social-benefits activities: continuously pushing and sponsoring various social-benefits activities, such as:																						
			(1) Giving back to Local Communities – Participation in Social Charitable Events																						
			<table border="1"> <thead> <tr> <th>No.</th> <th>Type of Donation</th> <th>Number of Events</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Temple and festival activities in neighboring communities</td> <td>8</td> </tr> <tr> <td>2</td> <td>Consultation for the neighborhood volunteer civil defense force</td> <td>4</td> </tr> <tr> <td>3</td> <td>Welfare activities and celebrations organized by the Longevity Club of the Development Associations in the neighboring communities</td> <td>7</td> </tr> <tr> <td>4</td> <td>Activities organized by community vulnerable group foundations</td> <td>8</td> </tr> <tr> <td>5</td> <td>Donations to charities and events of neighboring schools and organizations</td> <td>8</td> </tr> <tr> <td>6</td> <td>Sponsoring other environmental protection activities and events in neighboring communities</td> <td>1</td> </tr> </tbody> </table>	No.	Type of Donation	Number of Events	1	Temple and festival activities in neighboring communities	8	2	Consultation for the neighborhood volunteer civil defense force	4	3	Welfare activities and celebrations organized by the Longevity Club of the Development Associations in the neighboring communities	7	4	Activities organized by community vulnerable group foundations	8	5	Donations to charities and events of neighboring schools and organizations	8	6	Sponsoring other environmental protection activities and events in neighboring communities	1	
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Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>(2) The Petroleum Business Division of the Company held the 24th anniversary charity activity, donating NT\$1 million to 10 charity organizations.</p> <p>(3) The Company's clubs irregularly hold activities for blood donation to help the society and more people in need.</p> <p>(4) Sponsorship for charitable activities in neighboring communities of overseas factory premises.</p> <p>In addition to fully cooperating with the Environment Protection Administration to promote green procurement in private sectors to implement energy-saving, carbon-reducing and green consumption policies, the Company also actively requests suppliers to increase the number of products certified by Bluesign year-on-year. In the future, we will continue to implement various related businesses such as water conservation, energy conservation and carbon reduction, sustainable utilization of resources, and friendly environment, aligning with the concepts of environmental protection and economic development, and fulfilling our social responsibilities.</p> <p>In addition, a healthy and safe working environment has always been the goal of our efforts, and it is also the Company's responsibility to employees and their families. Requiring employees to pay attention to "safety first" when entering the workplace is an important principle that demonstrates our focus on employees; The Company encourages employees and contractors to propose improvements and suggestions for unsafe operating environment, and we use the shift time to strengthen the precautions for the promotion of operational safety, and appropriately reward the zero-work disaster department.</p> <p>To ensure employees to work in a safe and healthy environment, the Company, in 2021, held the rapid tests of SARS-CoV-2 for employees at home and abroad, totaling 3,171, and none employee was tested positive. In addition, the Company regularly disinfects the working environment. In 2021, the employees, getting the first dose, amounts to 3,835, and those with second doses, reaches to 3,170.</p>	

Note 1.If Implementation Status is specified "Yes", please explain the key policies, strategies and measures taken and the current progress. If Implementation Status is specified "No", please refer to "The discrepancies in the Code of Practice of Sustainable Development for the TWSE/TPEX Listed Companies" section to explain the situation and reasons for the discrepancies, as well as explain any policy, strategy and measure planned for the future.

Note 2.Companies who have compiled CSR reports may specify the ways to access the CSR and the page numbers of the cited content in place of the above-requested description.

Note 3.For the disclosure method, please refer to the template on the Taiwan Stock Exchange Rules & Regulations Directory website

(F) Fulfillment of Code of Ethics and Business Conduct and measures adopted :

Fulfillment of Code of Ethics and Business Conduct and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” and Reasons :

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
1. Stipulating policies and plans for ethical corporate management (1) Has the Company established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors, and clearly stipulated regulations and policies for ethical business conduct and relevant guidelines in company articles and external documents? Does the Company’s Directors and management team actively fulfill their commitment to corporate policies?	V		1. The Company complies with the Company Act, the securities trading law, and other related regulations, and upholding the “Diligence, Perseverance, Frugality and Trustworthiness” enterprise spirit in order to comply with the law and ethical standards. With the business philosophy of honesty, integrity, fairness, and transparency, self-discipline, and responsibility, the Company has established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors. With the Company's President Office as the driving unit to formulate and implement various ethical policies, the Company establishes a good corporate governance and risk control mechanism, to seek sustainable development of the Company. The Board of Directors and management also promises to actively implement and supervise the implementation of the integrity management policy.	In compliance with Article 4 and Article 5 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(2) Does the company establish a risk assessment mechanism against unethical conduct, regularly analyze and assess business activities within their	V		2.1. The Company has established strict rules of conduct and ethics in the rules and regulations such as "Work Rules" and other rules and regulations to specify the relevant reward and punishment regulations. Directors, managers, servants of the Company, or those who have substantial control capabilities are prohibited	Complying with the regulations specified in Article 7 of "Ethical Corporate Management Best Practice Principles

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
business scope which are at a higher risk of being involved in unethical conduct? Does the company establish prevention programs accordingly including measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?			<p>from providing, pledge, requesting or accepting any illegitimate interests directly or indirectly, or making other violations of good faith, illegality, or breach of fiduciary duty to prevent malpractice, misappropriation of public funds, acceptance of bribes, disclosure or lies, and other acts of dishonesty.</p> <p>2.2. The Company analyzes and assess periodically business activities within their business scope which are at a higher risk of being involved in unethical conduct. For those who engage in business activities with a high risk of dishonest behavior, the company has clearly established "Working Rules" which state that positions of interest for business, procurement, contracting, supervision, and budgeting, as well as contact with other manufacturers shall not accept business dinners or other entertainment activities invited by the manufacturer, nor accept the property or other interests of gifts. The offenders shall be excused from office and their Supervisors shall be jointly and severally punished. Besides, related duties have comprehensively promoted regular rotation operations to prevent the occurrence of any corruption.</p>	for TWSE/GTSM Listed Companies," the Company has specified and enacted regulations designed to prevent unethical conduct in multiple rules and systems. Nevertheless, specific "Procedures for Ethical Management and Guidelines for Conduct" has yet to be formulated.
(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct, punitive measures for violations and appeal systems	V		<p>3. The Company clearly illustrated its ethical policies for integrity management and relevant operating procedures, behavior guidelines, reports, disciplinary penalties, appeals and other regulations in the "Working Rules", "Ethical Management Rules and Codes of Conduct", "Precautions against Insider Trading Operations", "Procedures for Inspection and Control", and "Employees' Complaint Operation Points", etc. The Company,</p>	In compliance with Article 6, paragraph 1 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
within the said plan? Did the action plans be implemented accordingly?			meanwhile, has formulated "Guidelines for Ethical Conduct" for directors and managers, (please refer to the Company's website http://www.ftc.com.tw/newftc/integrity.php or the sixth item of Special Disclosure in the Company's annual report, for guidelines of ethical conduct for the company's directors and managers'). The above rules and regulations are regularly reviewed to meet practical needs.	
2. Implementing ethical corporate management (1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct? (2) Has the Company designated an exclusively (or concurrently) dedicated unit reports its ethical business management policy, action plans to prevent unethical conduct, and implementation status of supervisory measures to the Board of Directors?	V V		1. The company's contracts for business dealings all include article on ethical behavior. The company has also carried out credit check on customers, suppliers, and other stakeholders, including auditing, in order to prevent harm to the company's interests by unethical behaviors. 2. The President's office, the standard group, manager office of each division and general affair office jointly implement ethical management, including the promotion of the ethical management policy, and the organization of education and training on integrity management related issues, and handling cases related to inspection and prosecution pursuant to the Company's "Rules of Prosecution". The promotion units of integrity management shall report to the Board of Directors at least once a year. The latest report date was December 10, 2021, which mainly reported the policies, practices and implementation of ethical management, and	Compliance with articles 9 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" Compliance with articles 17 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>the commitments of the Board of Directors and senior management to actively implement the management policy. In addition, the internal audit report is submitted to the independent directors for review every month, and regularly report to the Board of Directors.</p> <p>A. Training Course: The Company has formulated a series of courses to promote the business ethical, risk management, and anti-insider trading with the aim of enhancing employees' conduct of behavior. In 2021, 60 employees were trained, totaling 240 hours.</p> <p>B. Regular Review: Risk assessment for corruption on business activities in all operating sites is carried out, plus, through the self-check and evaluation on compliance with the laws, along with the audit by the audit unit, to ensure the normal operation and prevent any dishonesty behaviors. In 2021, there is no corruption happened.</p> <p>C. Reporting System and Whistleblower Protection The Company has set up various reporting channels, established in the "Ethical Corporate Management Principles," and "Ethical Behavior Principles," for employees or inside or outside stakeholders to report or complain any illegal or improper behaviors, and the human resource management group of the president's office is designated to address the reporting cases. In addition, the Company sets up the stakeholder's section on the website to provide the channels for communicating with inside and outside stakeholders including employees and investors. If the reporting case is involved with directors or other executives,</p>	

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	V		<p>the case will be reported to the independent directors. All the contents and the whistleblowers will be kept in confidence. In 2021, no case has been reported from inside and outside stakeholders.</p> <p>The operation of conducting the ethical business policy in 2021:</p> <p>3.1 In compliance with the "rules governing meetings of the board of directors" (for details refer to the company's website http://www.ftc.com.tw/newftc/director.php), the company's directors in a high self-discipline have to explain major contents of related interests on cases involving interests of their own or legal entities they represent on the agenda of the meetings of the board of directors which should exclude cases with possible harm to the company's interests. Directors with related interests should abstain from discussion and voting for such cases and should not commission other directors to exercise their voting rights.</p> <p>3.2 The company has asked employees to follow the regulation of abstention from behaviors involving personal interests and report by their own conflict of interests, according to stipulations in the "Working Rules" and " Guidelines for Prevention of Insider Trading," which also non-compete clause to avoid conflict of interests.</p> <p>3.3 According to "measures governing handling of complaints by inside and outside stakeholders" the company provides channels for employees or inside or outside stakeholders to report or complain any illegal or improper behaviors.</p>	Compliance with articles 19 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Did internal auditors establish relevant audit plan to verify the status of compliance with unethical conduct prevention action plans based on the result of risk assessment on unethical conduct? Did the Company entrust audits to a CPA ?	V		4.1 The company has established complete accounting system and internal control mechanism and has been pushing at full scale linkage between the six major management functions of personnel, finance, management, production, procurement, and engineering, to attain mutual check and conduct abnormality management. Meanwhile, the company has put in place an independent professional internal auditing structure, consisting of multiple aspects. The first aspect is executed by the auditing office under the board of directors, and an audit plan is set up every year to audit the regulatory compliance to reduce the risk of unethical conduct.; the second aspect is regular and specific auditing by the president's office of parent company Formosa Chemicals & Fibre Corp.; the third is regular or project-based independent auditing by the president's office; the fourth is auditing by the company's various units themselves; the fifth is mechanism for inside or outside reporting or complaints and tracking. As internal auditing is the responsibility of all employees, auditing operation of the fourth aspect involves regular business check by various units themselves (at interval of one month, one quarter, half a year, or a year, according to nature of different items), so as to extend the spirit and purpose of internal control to every unit, every corner, and every individual. In addition, outside certified public accounts are engaged for regular spot check.	Compliance with articles 20 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(5) Does the Company regularly organize internal and external training for ethical corporate	V		5. Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of "Diligence, Perseverance, Frugality and Trustworthiness," as well	Compliance with article 22-2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons Listed Companies"
	Yes	No	Summarized explanation	
management?			as cultivating work ethics based on integrity, fairness and transparency, self-discipline, and a sense of responsibility. All new recruits receive corporate culture training. In addition, training courses about regulations, anti-fraud, and anti-corruption are held every year to strengthen the employees' commitment to complying with management rules based on good faith. In 2021, the Company held internal and external education training related to the issue of integrity management (including compliance with business ethics, corporate ethics, prevention of insider trading, risk management and strengthening corporate governance), with a total of 60 person involved in, and the 240 training hours.	
C. Status for enforcing whistle-blowing systems in the Company (1) Has the Company established concrete whistle-blowing and reward systems as well as accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower? (2) Does the company establish standard operating procedures, follow-up measures that should	V V		The company has publicized complaint and appeal channels for any illegal or improper treatment received by employees or outside people because of their reporting. In the process, the identities of the complaining parties will be kept confidential and informants will be awarded properly for reporting in authentic name which benefits the company. The company's "work rules" establishes the penalties for employees in violation of relevant regulations. 1. Provide mailbox, e-mail address, and fax line for reception of reporting, whose information is available via notice at the spot for clock in/clock out by employees.	Compliance with article 23 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
<p>be taken after the investigation is completed, for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company take appropriate measures to protect whistleblowers in order to protect them from inappropriate treatment?</p>	V		2. After a case is filed, the relevant team members of the president office of the whole enterprise shall be responsible for the procedures of case review, filing, and follow-up investigation.	
	V		<p>3. The principle of confidentiality : During and after an investigation, it is strictly forbidden to disclose any information to unrelated parties. Supervisors at all levels must also keep information confidential. All relevant information must be processed and archived according to the confidential document procedures to ensure the informant does not experience any unjust setback.</p> <p>4. Where the occurrence of illegal or improper act has been found to be true, punitive actions will be taken based on the "Personnel Management Rules". Judicial or prosecuting institutions will be alerted when necessary.</p>	

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
<p>D. Strengthening of information disclosure</p> <p>Does the company disclosed its ethical corporate management principles and execution results on its website and the Market Observation Post System?</p>	V		<p>The company has disclosed information on ethical management on its website (http://www.ftc.com.tw/newftc/integrity.php) and in its annual report.</p>	<p>Compliance with article 25 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>E. For company with own ethical management principles, formulated according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," describe the operation of its own principles and the difference with the later:</p> <p>The company's board of directors approved revised ""corporate ethical management principles" on Nov. 7, 2014 and resolved to make further revision of the principles on June 23, 2017. The company's principles are in general similar to the official version but stress more the nature of guidelines and integration, to accommodate the need of the company's survival and development.</p>				
<p>F. Other key information conducive to the understanding of the operation of the company's ethical management (such as how does the company revise its ethical management principles).</p> <p>The company arranges attendance of corporate-governance courses by directors and managerial staffers every year to augment their capabilities governing and supervising various businesses, in the hope of boosting governance efficacy and materializing ethical management.</p>				

(G) How to inquire about the company's corporate governance best-practice principles:

The company has formulated corporate governance best-practice principles; please access the company's website at

<http://www.ftc.com.tw/newftc/governanceop.php>

(H) Disclose other important information conducive to the understanding of the operation of the company's corporate governance:

The company has formulated "Guidelines for Ethical Conducts of the Company's Directors and Managerial Staffers" (for details, refer to the company's annual report, item 6 specially registered items, VIII).

The company will publish the latest "2021 Sustainability Report" by the end of June 2022; for reference please access the company's website at

http://www.ftc.com.tw/newftc/respons_report.php

(I) Execution status of internal control system

1. Statement on internal control system

Statement on internal control system by public companies

(Legal compliance specified in the statement is applicable to all laws/regulations)

Formosa Taffeta Co., Ltd.
Statement on Internal Control System
March 9, 2022

Based on self review, the company makes the following statement on the company's internal control system in 2021:

1. The company is fully aware that establishment, execution, and maintenance of internal control system is the company's board of directors and managerial staff, in order to provide reasonable assurance for the efficacy and efficiency of operation (including profitability, performance, and protection of the safety of assets), the reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
2. Internal control system has its inherent constraint, as it, no matter how perfect is its design, can only provide reasonable assurance for the attainment of the aforementioned three objectives. In addition, change in environment and status may affect the efficacy of internal control system. Therefore, the company's internal control system has a mechanism of self supervision, capable of locating defects for immediate rectification.
3. The company evaluates the efficacy of its internal control system, according to the evaluation items contained in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" ("regulations" in short hereafter), which divides internal control system into five constituents, according to the procedure of management control: 1. control environment, 2. risk management, 3. control activities, 4. information and communications, 5. monitoring activities, with each containing several items (refer to the stipulations of the "regulations."
4. The company has employed the aforementioned evaluation items in checking the efficacy of the design and execution of the internal control system.
5. Based on the aforementioned evaluation, the company believes that with reasonable assurance, the company's internal control system (including supervision and management of subsidiaries) as of Dec. 31, 2021 had been effective in both design and execution concerning understanding of the efficacy and efficiency of management, reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
6. The statement will be publicized, as a major part of the company's annual report and prospectus. Falsehood, concealment, and other illegalities in the aforementioned publicized contents would entail legal responsibilities, according to article 20, article 32, article 171, and article 174 of the Securities and Exchange Act.
7. The statement was approved by the company's board of directors on March 9, 2022, endorsed by all of the 10 directors in attendance, without any contrary opinion.

Wong Wen-yuan
Chairman
Signature

Lee Ming-chang
President
Signature

Formosa Taffeta Co., Ltd.

2. In case review of internal control system is outsourced to certified public accountant, disclose the CPA review report: nil.

(J) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law on the Company or its internal personnel, any sanctions imposed by the Company on its internal personnel for violations of internal control system provisions, major deficiencies, and the

state of any efforts to make improvements:

The Company (including the gas stations) violated the laws and regulations in the preceding period and was imposed a total of 1 penalty by the competent authority, with a total of NT\$ 20,000. No subsequent increase may occur. All deficiencies have been improved according to the requirements of the competent authority.

(K) Major resolutions of shareholders' meeting and the board of directors in the recent year and as of the date for the publication of the yearbook

1. Shareholders' meeting on July 30, 2021

Directors in attendance: Hsie, Shih-Ming, Lee, Ming-Chang, Tsai Tien-Shuan, Lee, Man-Chun, Hsieh, Ming-der (attendees above are directors), Lin, Sheng-Chung, Kuo, Nein-Hsiung, Kuo, Chia-Chi (attendees above are directors), totaling 8 persons, which is over the half of the number of directors.

(1) Ratification Items

Case 1

Contents: The Company's 2020 Business Report and Financial Statements proposed in accordance with the law. Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,277,723,444; the result: 1,245,541,870 votes of recognition (with 1,120,936,921 electronic votes), accounting for 97.5% of the total voting rights; 229,830 votes of opposition (with 229,830 electronic votes); 0 invalid vote; 31,951,744 votes of abstention and unvote (with 31,951,744 electronic votes). The number of recognition exceeded the required amount and the proposal was ratified.

Case 2

Contents: The Company's 2020 earning distribution proposed in accordance with the law. Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,277,723,444; the result: 1,243,680,740 votes of recognition (with 1,119,075,791 electronic votes), accounting for 97.3% of the total voting rights; 2,751,686 votes of opposition (with 2,751,686 electronic votes); 0 invalid vote; 31,291,018 votes of abstention and unvote (with 31,291,018 electronic votes). The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: The Company's 2020 cash dividend of NT\$1.0 per share was passed by the electric votes of 1,119,075,791 shares, accounting for 66.43% of the issued shares, at 2021 annual general meeting. Based on the regulations on June 18, 2021 announced by TWSE, the listed companies which postpone the shareholders' meeting could announce the information of cash dividend prior to the shareholder's meeting. Accordingly, based on the resolution of the Board of directors on July 2, 2021, August 9, 2021 is set as the base date for cash dividend distribution, and the dividend will be issued from September 7.

(2) Discussion Items (I)

Case 1

Contents: Amendments to the "Rules for Election of Directors" of the Company.

Please proceed with the discussion. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,277,723,444; the result: 1,242,017,118 votes of recognition (with 1,117,412,169 electronic votes), accounting for 97.2% of the total voting rights; 245,045 votes of opposition (with 245,045 electronic votes); 0 invalid vote; 35,461,281 votes of abstention and unvote (with 35,461,281 electronic votes) The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended rules shall be announced on the Company's website.

Case 2

Contents: Amendments to the "Rules of Procedure for Shareholders' Meetings" of the Company. Please proceed with the discussion. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,277,723,444; the result: 1,242,037,939 votes of recognition (with 1,117,432,990 electronic votes), accounting for 97.2% of the total voting rights; 239,565 votes of opposition (with 239,565 electronic votes); 0 invalid vote; 35,445,940 votes of abstention and unvote (with 35,445,940 electronic votes) The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended procedure shall be reported to the MOPS and announced on the Company's website. The amended procedure shall be implemented accordingly.

(3) Extempore motion: nil

2. First 2021 meeting of the board of directors on March 12

Case 1

Contents: Proposal of the 2020 Remuneration of Directors and Employees. Please proceed to ratify. (Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the directors present at the meeting agreed to pass the case and report it to 2021 Annual Meeting of Shareholders.

Case 2

Contents: Proposal for the 2020 financial statements and 2021 annual operation plan. Please proceed to ratify. (The business segment supervisors of each business group report the 2020 operating status and the 2021 operating plan, respectively.)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 3

Contents: Proposal of the 2020 annual earnings distribution Table. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 4

Contents: Proposal for convening 2021 Annual Meeting of Shareholders on June 25, 2021. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 5

Contents: The "Statement of Internal Control System". Please proceed to ratify.
(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 6

Contents: Proposal to replace the Chief Internal Control of the Company. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: Amendment to "the Rules of Election of Directors" of the Company. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case and report it to 2021 Annual Meeting of Shareholders.

Case 8

Contents: Amendment to the "Rules of Procedure for Shareholders' Meeting" of the Company. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case and report it to 2021 Annual Meeting of Shareholders.

3. Second 2021 meeting of the board of directors on May 7

Case 1

Contents: Amendment to the relevant regulations on handling of the Company's stock affairs. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

4. Third 2021 meeting of the board of directors on July 2

Case 1

Contents: Proposal to postpone the Company's 2021 shareholders' meeting. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 2

Contents: Proposal of the cash dividend base date and payment date for the Company's 2020 earnings distribution. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

5. Fourth 2021 meeting of the board of directors on August 6

Case 1: The salary adjustment of the managers would be in line with all employees in 2021, please discuss and resolve. (proposed by the remuneration committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 2: Proposal for promotion of executive officers, please discuss and resolve.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

6. Fifth 2021 meeting of the board of directors on November 5

(Only report items are included in this meeting, without discussion items.)

7. Sixth 2021 meeting of the board of directors on December 10

Case 1: Proposal to formulate the Company's 2022 annual audit plan. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 2: Proposal for amendments of "Corporate Governance Principles" of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

8. First 2022 meeting of the board of directors on March 9

Case 1

Contents: Proposal of the 2021 Remuneration of Directors and Employees. Please proceed to ratify.

(Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present at the meeting agreed to pass the case and report it to 2022 Annual Meeting of Shareholders.

Case 2

Contents: Proposal for the 2021 financial statements and 2022 business plan. Please proceed to ratify.

(The Secretariat reported that the appendix of this proposal have been submitted to the Audit Committee for approval, and Mr. Cheng, the assistant vice president of the General Mgmt. Div., reported the 2021 operating status and the 2022 business plan.)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 3

Contents: Proposal of the 2021 annual earnings distribution table. Please proceed to

ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 4

Contents: Proposal for convening 2022 Annual Meeting of Shareholders on June 24, 2022. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 5

Contents: Proposal to amend the Articles of Incorporation of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case and report it to 2022 Annual Meeting of Shareholders.

Case 6

Contents: To formulate Internal Control System Statement of the Company. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: Proposal to amend the Procedure of Acquisition or Disposal of Assets of the Company. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case and report it to 2022 Annual Meeting of Shareholders.

Case 8

Contents: Proposal to change the CPA of the Company. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

9. Second 2022 meeting of the board of directors on May 6

Case 1

Contents: Proposal for the financial statements for the first quarter of 2022. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 2

Contents: Amendments to the “Corporate Social Responsibility Principles” of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 3

Contents: Proposal to set up the Sustainability Committee, governed by the board of director, and “Sustainability Committee Organization Chart.” Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 4

Contents: Proposal to appoint directors, Lee, Ming-chang, and Lee, Chien-Kuan, and independent directors, Lin, Sheng-Chung, Kuo, Nein-Hsiung, and Kuo, Chia-Chi as members of the Sustainability Committee. Please proceed to ratify. (Lee, Ming-chang, and Lee, Chien-Kuan, and independent directors, Lin, Sheng-Chung, Kuo, Nein-Hsiung, and Kuo, Chia-Chi shall avoid due to the parties of the proposal.)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors, except aforementioned directors and independent directors, agreed to pass the case.

(L) The main content of Opinions of director or supervisor on record or in written statement different from important resolutions of the board of directors in the recent year and the current year as of the date of the publication of the annual report: None

(M) In the most recent year and as of the date of publication of the annual report, Company related person Summary of the resignation and dismissal of the Company's Chairman, President, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development:

Title	Name	Date of assuming office	Date of dismissal	Reason
Chief Internal Auditor	WANG, JI-HUO	2018.03.16	2021.03.12	Retirement

Note: Parties related to the Company refer to president, manager, principal accounting officer, principal financial officer, chief internal auditor, corporate governance officer, and research and development officer.

E. Information on professional fee for certified public accountants

Information on professional fees for certified public accountants

Unit: NT\$1,000

Name of accounting firm	Names of certified public accountants	Auditing period	Auditing fee	Non-auditing fee	Total	Remarks
PwC Taiwan	Wu Han-chi	2021.01.01-2021.12.31	4,000	150	4,150	
	Liang Hua-ling	2021.01.01-2021.12.31				

Remark: Non-auditing fee refers to the transfer pricing reporting fee of 2021.

Note: Should there be replacement of CPA or accounting firm, list the auditing period of the original ones and explain reason for the replacement in note column and disclose the information on audit and non-audit fee. Non-audit fee shall be specified its service contents.

- (1) When the securities firm changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: NA.
- (2) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed("Audit fees" means professional fees paid by the company to its CPA for audits, reviews, and secondary reviews of financial reports, reviews of financial forecasts, and tax certification.): NA.

F. Information on replacement of certified public accounts: If company replaces certified public accountants in recent two years and before the publication of the financial statement, disclose information on the following items:

1. About original certified public accountants

Replacement dates	March 13, 2020 and March 9, 2022		
Replacement reason and explanation	Job reshuffle of accounting firm		
Explain whether the replacement is due to the termination of appointment by client or refusal to accept appointment by CPA	client	CPA	Client
	status	V	-
	Termination of appointment		-
Any reservation in auditing reports in recent two years and reason	Refusal to accept (continue) appointment		
Any different opinion with issuer	Nil		
	Yes		Accounting principle or practice
			Disclosure of financial report
			Auditing scope and procedure
			Other
No	V		
Explanation: Nil			
Other disclosure items (stipulated in item 1-4 through item 1-1 of section 6 of article 10 of the guideline)	<p>1. Financial report is unreliable, due to lack of sound internal control system, as shown by notice by previous CPA: nil</p> <p>2. Previous CPA notifies the company expressing distrust of the company or unwillingness to have any association with the company's financial report: nil.</p> <p>3. Previous CPA notifies the company demanding expansion of auditing scope and data show expansion of auditing scope may impair the credibility of financial report certified or going to be certified but the suggestion of scope expansion fails to be materialized, due to replacement of CPA or other reasons: nil.</p> <p>4. Previous CPA notifies the company that data show possible impairment of the credibility of financial report certified or going to be certified but fails to rectify the problem, due to replacement of CPA or other reason: nil.</p>		

2. About succeeding original certified public accountants

Name of accounting firm	PwC Taiwan	
Names of certified public accountants	Wu Han-chi, Liang Hua-ling	Wu Han-chi, Juan Lu Man-yu
Appointment date	March 13, 2020	March 9, 2022
Consultation before appointment on the accounting method and principle for specific transaction and opinions on financial reports going to be certified and result	Nil	
Written opinions of succeeding CPA differing from opinions of previous CPA	Nil	

3. Reply from previous CPA on items related to item 1 and item 2-3 of section 6 of article 10 of the guideline: nil.

G. In case the company's chairman, president, or financial or accounting manager serves at the accounting firm of certified public account or its affiliate in recent one year, disclose his/her name, title, and period of service at the accounting firm or its affiliate: nil.

H. The situation of share transfer and change in shareholding mortgage by directors, managerial staffers, and shareholders with over 10% shareholding in the recent year and as of the date of the publication of the yearbook

(A) Change in shareholding by directors, managerial staffers, and major shareholders:

Title (note 1)	Name	2021		as of April 26, 2022	
		Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)
Chairman	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Wong, Wen-yuan	-	-	-	-
Standing director (independent director)	Lin, Sheng-chung	-	-	-	-
Independent director	Kuo, Nein-hsiung	-	-	-	-
Independent director	Kuo, Chia-chi	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Hong, Fu-yuan	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lee, Ching-Fen	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lee, Ming-chang	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lee, Chien-Kuan	-	-	-	-

Title (note 1)	Name	2021		as of April 26, 2022	
		Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)
director	Lai Shu-wang Foundation	-	-	-	-
	Representative: Lee,Man-chun	-	-	-	-
director	Hsieh, Ming-der	-	-	-	-
director	Keyford development Co., Ltd.				
	Representative: (Vacancy)				
President	Lee, Ming-chang	-	-	-	-
Deputy vice president	Lee, Chien-Kuan	-	-	-	-
Deputy vice president	Chen, Kun-Yuan				
Chief of financial division, Chief Corporate Governance Officer	Cheng, Hung-ning	-	-	-	-
Chief of accounting division	Lee, Shu-ming	-	-	-	-
Shareholder with over 10% shareholding	Formosa Chemicals & Fibre Corp.	-	-	-	-

Note 1: Shareholders with over 10% shareholding should be specified as major shareholder and listed separately.

Note 2: Filling in the following table, in case the recipient of share transfer or mortgaged shares is a related party.

(B) Information on share transfer: nil

Name (note 1)	Reason for share transfer (note 2)	Transaction date	Transaction partner	Relationship of transaction partner with the company,directors, managers and shareholders with over 10% shareholding	Amount of shares	Transaction price
-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in acquisition or disposal

(C) Information on mortgaged shares: nil

Name (note 1)	Reason for change in mortgaged shares (note 2)	Date of change	Transac tion partner	Relationship of transaction partner with the company, directors , and shareholders with over 10% shareholding	Amount of shares	Percen tage of shareh olding	Mortgage rate	Mortgaged (redeemed) value
-	-	-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in mortgaged or redeemed shares

I. Top 10 Shareholders who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other

April 26, 2022

Name (Note1)	Own shareholding		Spouse's/minor's Shareholding		Shareholding by nominee arrangement		The relationship of the top 10 shareholders who are related parties according to Financial Accounting Criteria No.6, spouses or within second degree of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Formosa Chemicals & Fibre Corp. Representative: Hong, Fu-Yuan	630,022,431	37.40%	-	-	-	-	Chang Gung University, Ming Chi Institute of Technology	Chairman is the director of Chang Gung University and Ming Chi Institute of Technology.	-
Chang Gung Medical Foundation Representative: Wang, Ruey-Huei	97,599,254	5.79%	-	-	-	-	-	-	-
Yu Yuang Textile Co., Ltd. Representative: Hsieh, Ming-der	43,005,328	2.55%	-	-	-	-	-	-	-
Lai, Ming-hsiung	37,952,856	2.25%	8,255,291	0.49%	-	-	-	-	-
Chang Gung University Representative: Wong, Wen-yuan	37,130,116	2.20%	-	-	-	-	1.Chang Gung University, Chang Gung University of Science and Technology, Ming Chi Institute of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd	-
Chang Gung University of Science and Technology Representative: Wong, Wen-yuan	35,812,944	2.13%	-	-	-	-	1. Chang Gung University, Ming Chi Institute of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd	-

Name (Note1)	Own shareholding		Spouse's/minor's Shareholding		Shareholding by nominee arrangement		The relationship of the top 10 shareholders who are related parties according to Financial Accounting Criteria No.6, spouses or within second degree of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ming Chi Institute of Technology Representative: Wong, Wen-yuan	31,427,255	1.87%	-	-	-	-	1. Chang Gung University Chang Gung University of Science and Technology, 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd	-
Taiwan Life Insurance Representative: Huang, Shih-kuo	26,722,000	1.59%	-	-	-	-	-	-	-
Asia Pacific Investment Co., Ltd. Representative: Wilfred Wang	24,134,415	1.43%	-	-	-	-	Chang Gung University, Chang Gung University of Science and Technology, Ming Chi Institute of Technology	A relative within 2 nd kinship of director of Chang Gung University, Chang Gung University of Science and Technology, Ming Chi Institute of Technology	-
Chunghwa Post Co., Ltd. Representative: WU, HONG-MO	18,122,000	1.08%	-	-	-	-	-	-	-

Note 1: List all the top 10 shareholders; for juridical-person shareholders, list the names of the juridical persons and their representatives.

Note 2: In calculating percentage of shareholding, take into account not only shares owned by shareholders themselves but also those owned under other others' names and those owned by their spouses and minor children.

Note 3: Aforementioned shareholders include juridical persons and natural persons and their relationship should be disclosed according to the guidelines for compiling the financial reports of issuers.

Note 4: Chairman of Formosa Chemicals & Fibre Co. Ltd. is a director as a representative of Chang Gung Medical Foundation.

J. The amount of total shareholding of the company and the company's directors, managerial staffers, and directly or indirectly controlled enterprises in an invested enterprise and percentage of the shareholding.

Unit: share; % 2020.12.31

Invested enterprises (note 1)	Investment by the company		Investment by the company's directors, managerial staffers, and directly or indirectly controlled enterprises		Total investment	
	Number of shares	Percent age of shareholding	Number of shares	Percent age of shareholding	Number of shares	Percent age of shareholding
Formosa Advanced Technologies Co.,	135,686,472	30.68	4,846,629	1.10	140,533,101	31.78
Formosa Development Co., Ltd.	16,100,000	100.00	-	-	16,100,000	100.00
Quang Viet Enterprise Co., Ltd.	18,595,352	17.99	196,424	0.19	18,791,776	18.18
Formosa Taffeta (Hong Kong) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta (Zhongshan) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta Vietnam Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Industries Co., Ltd.	-	10.00	-	42.50	-	52.50
Formosa Taffeta Dong Nai Co., Ltd.	-	100.00	-	-	-	100.00
Nan Ya Photonics Incorporation	7,013,871	15.22	-	-	7,031,871	15.22
Schoeller Textil AG	-	50.00	-	-	-	50.00
Formosa Taffeta (Changshu) Co., Ltd. (note 2)	-	100.00	-	-	-	100.00
Public More International Company Ltd. (note 2)	-	100.00	-	-	-	100.00

Note 1: Long-term investment based on equity method

Note 2: Company invested by subsidiary

IV. Fund raising

A. Capital and shares

(A) Source of share capital

Month/ year	Per Value (NT\$)	Approved share capital		Paid-in capital		Note		
		share	Amount (dollars)	share	Amount (dollars)	Sources of capital	Capital Increased by Assets Other than Cash	Other
July 2006	10	1,684,664,637	16,846,646,370	Same as left column	Same as left column	Capital increment with earnings	None	Note

Note: NT\$330,326,400 of capital increment with earnings in 2005, following approval by the Cabinet-level Financial Supervisory Commission (FSC No. 0950130979, July 17, 2006).

April 26, 2022

Unit: share

Kind of share	Approved share capital			Note
	Issued shares in circulation (note)	Un-issued shares	Total share	
Common share (registered)	1,684,664,637	—	1,684,664,637	—

Note: all listed shares on the stock market

Information on self-registration: not applicable

(B) Shareholder structure

April 27, 2021

Shareholder structure Amount	Government agencies	Financial institution	Other juridical person	Individual	Foreign institution and foreigners	Total
Number of shareholders	3	27	245	68,498	220	68,993
Shareholding (shares)	5,951,919	88,986,272	956,209,855	477,412,372	154,104,219	1,684,664,637
Shareholding ratio	0.353%	5.4%	56.76%	28.339%	9.148%	100.00%

Notes: Disclose of Chinese shareholding by companies with primary share listing on the stock market (over-the-counter market) and emerging enterprise market: Chinese shareholding refers to shares owned by people, juridical persons, groups, other institutions, or their invested companies in a third place, as stipulated in article 3 of the "Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan."

(C) Shareholding distribution status

April 26, 2022

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Share)	Shareholding ratio
1~999	21,477	4,962,055	0.30%
1,000~5,000	32,915	73,652,562	4.37%
5,001~10,000	7,034	55,262,864	3.28%
10,001~15,000	2,330	29,764,406	1.77%
15,001~20,000	1,604	29,526,276	1.75%
20,001~30,000	1,352	34,694,841	2.06%
30,001~40,000	598	21,360,472	1.27%
40,001~50,000	384	17,839,418	1.06%
50,001~100,000	681	48,391,620	2.87%
100,001~200,000	338	48,492,353	2.88%
200,001~400,000	140	39,924,145	2.37%
400,001~600,000	39	19,417,094	1.15%
600,001~800,000	22	15,733,415	0.93%
800,001~1,000,000	11	9,965,722	0.59%
1,000,001 or over	68	1,235,677,394	73.35%
Total	68,993	1,684,664,637	100.00%

(D) List of Major Shareholders

Major Shareholders	Share	Shareholding (Share)	Shareholding ratio
Formosa Chemicals & Fibre Corp.		630,022,431	37.40%
Chang Gung Medical Foundation		97,599,254	5.79%
Yu Yuang Textile Co., Ltd.		43,005,328	2.55%
Lai Ming-hsiung		37,952,856	2.25%
Chang Gung University		37,130,116	2.20%
Chang Gung University of Science and Technology		35,812,944	2.13%
Ming Chi Institute of Technology		31,427,255	1.87%
Taiwan Life Insurance Co., Ltd.		26,722,000	1.59%
Asia Pacific Investment Co., Ltd.		24,134,415	1.43%
Chunghwa Post Co., Ltd.		18,122,000	1.08%

Note: Shareholders ratio for the top ten shareholders

(E) Market share price, net worth, earnings, stock dividends, and related data in recent two years

Unit: NT\$, share

Item		Year	2020	2021	Current year as of March 31, 2022 (note 8)
		Market share price (note 1)	Highest		39.95	34.50	29.50
Lowest			26.50	28.00	27.55
Average			32.00	30.65	28.49
Net worth per share (note 2)	Before distribution		36.54	37.00	37.21
	After distribution		35.54	36.00	-
Earnings per share	Weighted average number of shares		1,682,471,409	1,682,471,409	1,682,471,409
	Earnings per share (note 3)	Before adjustment	1.25	1.27	0.33
		After adjustment	-	-	-
Dividend per share	Cash dividend (note 9)		1.0	1.0	-
	Grant Stock	Stock grant with earnings	0	0	-
		Stock grant with capital reserve	0	0	-
	Accrued dividend (note 4)		-	-	-
Return on investment	Price earnings ratio (note 5)		25.60	24.13	-
	Price dividend ratio (note 6)		32.00	30.65	-
	Yield rate of cash dividend (note 7)		3.13	3.26	-

Note 1: Denotes the common shares with highest and lowest market value for each year, calculated for the average annual market value for the trading value of each year and the trading volume.

Note 2: Please use the number of share outstanding by the end of the year and filled out by the distribution of the resolutions made by the Shareholders' Meeting of the second year

Note 3: In the event of free allotment and requires tracing for adjustment, each EPS shall be listed before and after adjustment.

Note 4: In case the condition of outstanding equity security is distributed according to the undistributed dividends of that year accumulated to the year with earnings, the accumulated undistributed dividends of that year shall be disclosed respectively.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: Net worth per share and EPS shall be filled to the date of publication of the annual report with the data attested (reviewed) by the CPA in last quarter. The other columns should also be filled up data during the current fiscal year up to the date of publication of the annual.

Note 9: NT\$1.0 cash dividend and no stock dividend for distribution of 2021 earnings is a proposal, which needs passage at the 2022 shareholders' meeting.

(F) The company's dividend policy and execution status

1. Dividend policy

With business belonging to mature industry, the company retains stable profits, with dividend policy focusing on cash-dividend payout, capital increment with earnings, and capital increment with capital reserves. After deducting appropriations for legal reserve and special reserve, at least 50% of the distributable earnings of the current year is used in dividend payout, especially cash dividend. The combined amount of capital increment with earnings and capital increment with capital reserves should not exceed 50% of the dividend payout of the year.

2. Proposal for dividend payout at the shareholders' meeting

The Company distributed cash dividend NT\$1.0 per share, stock dividend NT\$0 per share, totaling NT\$1.0 dividend per share.

3. Expected major change in dividend policy: nil.

(G) Effect of proposal of stock grants at the shareholders' meeting on the company's business performance and earnings per share: not applicable (the company doesn't compile financial forecast).

(H) Compensations for employees and directors:

1. Percentage and scope of compensations for employees and directors specified in corporate charter: After settlement of final account, the resulting net profit, after deduction of business income tax, should be used in priority to cover accumulated loss of previous years, before appropriation of 10% of the balance as legal reserve and, if necessary, additional appropriation as special reserve, followed by appropriation for dividend. The remaining earnings, should it exist, would be combined with accumulated retained earnings of previous years for formulation of shareholder bonus payout by the directors for submission to shareholders' meeting for approval.

According to revised corporate charter approved by shareholders' meeting on June 24, 2016, if the company turns in a profit, after deduction of compensations for employees and directors, 0.05% to 0.5% of pretax profit would be appropriated for employee compensations and up to 0.5% for compensations for directors. However, if the company still has accumulated loss, appropriation should be made first on the profit to cover the loss.

2. Accounting for difference between the estimate as the basis for compensations for employees and directors and number of shares as the basis for stock payout as employee compensations and the actual payout value:

Estimate as the basis for compensations for employees and directors is made according to related law/regulation, the company's charter, and past experience. Difference between the estimate and actual payout value, if any, would be handled as variable in accounting and listed as profit/loss of next year.

3. Payout of compensations approved by the board of directors:

The company's board of directors passed the following resolution on March 9, 2022:

(1) Cash payout of NT\$4,546,024 for employee compensation and NT\$2,273,012 for compensations for directors.

(2) No payout for employee compensation in the form of stock, with share of such payout in after-tax net profit and total employee compensation being zero.

4. Explain the difference, if any, between actual payout for compensations for employees, directors, and supervisors in previous year (including the number of shares and value of money paid out and stock price) and the recognized amount of compensations for employees, directors, and supervisors, the scale of difference, reason, and handling status: Status of execution of payout approved by shareholders' meeting of the company on July 30, 2021:

(1) Actual bonus payout in cash for employees reaches NT\$4,393,629 and NT\$2,196,814 for compensations for directors, with no stock payout;

(2) actual bonus payout for employees in the form of stock is zero, with share in capital increment with earnings being zero;

(3) after deduction of aforementioned payouts, earnings per share is imputed at NT\$1.25.

(4) there is no difference between the aforementioned actual payout and the payout plan approved by the board of directors.

(I) Share buyback by the company: nil.

B. Issuance of corporate bonds: nil

C. Issuance of special shares: nil

D. Issuance of overseas depository receipts: nil

E. Issuance of employee stock option certificates: nil

F. Managerial staffers with acquisition of employee stock option certificates and names of top 10 employees with largest number of employee stock option certificates and status of acquisition and subscription: nil

G. Issuance of restricted stock awards: nil

H. Managerial staffers with acquisition of restricted stock awards and names of top 10 employees with largest number of restricted stock awards and status of acquisition: nil

I. Issuance of new shares for acquisition of other company or transfer of other company's shares: nil

J. Status for the execution of fund utilization plan

(A) Contents of plan

1. Previous securities issuances or private share placements which have not been completed as of the date of the publication of annual report: nil

2. Plans in recent three years which have been completed but have yet to manifest significant benefits: nil

(B) Execution status

Analyze item by item the purposes of aforementioned various plan as of the quarter prior to the publication of the annual report, execution status, and comparison with anticipated benefits: nil

V. Business Status

A. Business contents

(A) Business scope (according to business items registered with the Department of Commerce, the Ministry of Economic Affairs)

1. The company's major business items are:

- (1)production and sale of nylon fabric and polyester fabric;
- (2)production and sale of the alveolar bone of umbrella rib and tyre cord;
- (3)manufacturing, processing, and sale of polymers and related products;
- (4)traditional combed cotton yarn, blended yarn, new functional yarn, special protective yarn, and woven fabric;
- (5)production and sale of protective textile devices, including: [1] bulletproof vest, jacket, helmet, shield, mask; abrasion-resistance fabric, and products with composite materials (sports devices, fishing gear); [2] industrial work clothes, including clothes with acid-, alkaline-, fire-, and high temperature endurance and reprocessed products using such textiles, including fire-fighting coat, anti-heat clothes for working in boiler room, and chemical-industry work clothes; [3] clean-room wares (sterilized clothes, surgical gown, medical wrapping cloth, anti-static electricity clothes), and sterilized clothes;
- (6)Information software and service and design, manufacturing, and sale of communications software/hardware and components;
- (7)management of recreational area, children's amusement park, park, camping ground, swimming pool, skating rink, zoo, and general sports ground and lease of gear for water recreational activities and yacht;
- (8)management of hotel and affiliated restaurant;
- (9)transactions in staples, artifacts, groceries, general merchandise, and apparels;
- (10)agency and production of domestic and foreign artistic and performing-art events;
- (11)running of gas stations for sale of gasoline, diesel oil, kerosene, and petroleum products in small package, plus lubricant oil for autos and motorcycle, as well as simple maintenance, car washing, auto and motorcycle products, convenience store, parking lot, operation of automatic vending machine, and entrusted operation of regular auto inspection;
- (12)other businesses except those forbidden or restricted by law/regulation.

The above are the major business contents of Formosa Taffeta Co., Ltd.

2.2021 Revenue distribution

Unit: NT\$1,000

Major products	Unit	Quantity	Amount	%
Oil products	Kiloliter	427,106	10,811,504	32.96
Polyamide/Polyester fabric	1,000 yards	263,378	12,988,632	39.60
Polyamide/Polyester Tire Cord	Metric ton	42,319	7,043,603	21.48
Special textile	1,000 yards	6,863	1,110,357	3.39
PE bags	Metric tons	3,759	244,437	0.75
Number of yarn	Pieces	12,606	509,679	1.55
Land development		-	4,531	0.01
Business recruitment		-	31,652	0.10
Commission income		-	54,612	0.16
Total		-	32,799,007	100.00

3.The company's existing products:

Filament polyamide/polyester woven fabric, spun woven fabric, filament and spun interwoven fabric, dyed check, Environmental protection copper amine rayon plain weave, polyamide /polyester tire cord, PE bag, combed cotton yarn, blended yarn, new functional yarn, special protective yarn and textile, Military uniform / police uniform / firefighting fabric, medical fabric, bullet-proof fabric, composite-material textile, Clean clothes/clean room work clothes fabric, gas-station service, daily-life products, and car-washing service.

4.New products planned to be developed:

Environment-protection materials, biomedicine products, textiles for senior citizens, development and application of nano-level materials, fluorine-free water-repellant fabric, multifunctional smart clothing fabric for temperature control and photovoltaic positioning , waterless dyeing technology, bluesign® polyamide textile featuring chemical-free processing, fireproof and anti-near infrared camouflage fabric, high visibility fireproof fabric, flame retardant fabric against molten iron splash, the development of the tablet for automated robotic arm and thermoplastic board for 3C.

(B) Industry status

1.Polyamide/polyester dyed fabric

In 2021, thanks to gradual alleviation of COVID-19 pandemic, in the wake of increasing vaccination worldwide, and relaxation of lockdown measures in major consumption markets, in line with the policy of coexistence with the virus, global demands have resurfaced, boosting retail and leisure business sales and heralding global economic recovery. Amid a challenging climate, businesses at the physical outlets of international apparent brands gradually picked up, alongside their robust online sales, leading to resumption of order

placement in 2021. The pace of recovery was still shaky, though, as the pandemic continued to disrupt economic activities, including variant virus ravaging supply-chain bases in Southeast Asia in the second quarter of 2021, energy-consumption restriction on some industries and disruption of marine shipment at some ports, caused by container shortage, in China in the fourth quarter, frequent empty shelves at outlets of major U.S. retailers, and chronic labor shortage. With pickup in Q4 demands for cold-weather clothes, orders rebounded in 2021 than 2020.

With the pandemic gradually entering the final stage, the global economy will recover further in 2022, spurring replenishment of retail inventory and demand upturn, which sales will growth. 2022 business outlook is still clouded by multiple uncertainties, though, including repeated outbreaks of virus variants, geopolitical conflict, soaring materials costs, rising energy prices, skyrocketing freight costs, and shipment jam at ports caused by container shortage and resulting in delivery delay and subsequent order placement. With international branded vendors striving to boost sales and profits on various regional markets, Formosa Taffeta will intensify strategic partnership with them and uphold sales growth, via various measures including exercise of the respective advantages of the five plants in three places to attain synergy; intensification of R&D for high added-value, niche, and differentiated products; maintenance of close customer communications via teleconferences, utilization of integrated operating platform for product-development innovation and branding initiatives; installation of new equipment, development of new technologies, process improvement, reduction of failure cost, and energy conservation and waste abatement; utilization of AI to optimize dyeing modules, so as to increase first pass yield rate of dyeing, reduce cost, improve abnormal phenomena, and meet customer demands; compliance with brand customers' plan for integrating fabrics and consolidating supply chain, so as to shorten delivery and enhance competitiveness. In addition, the company will intensify collaboration will major garment manufacturers to consolidate garment supply chain, thereby implementing business development plan and attaining business target in 2022.

2. Cotton yarn

- (1) Industrial status and development: In 2021, Taiwan's staple fiber yarn industry was confronted with various adverse factors, notably soaring material costs, induced in part to recovering demands from the U.S., and Japan, and record freight rates. In addition to passing on the extra costs to customers gradually, Formosa Taffeta's spinning plant adjusted its product mix, maintaining normal supply of niche products and removing low-margin ones, thereby upholding its advantageous status on Taiwan's functional yarn market.
- (2) Correlation between industrial upstream, midstream, and downstream sectors: In collaboration with upstream suppliers of special chemical powder/fiber, downstream weaving/dyeing and finishing/special processing

plants, and branded customers, as a vertically integrated team, develop customized/sophisticated/unique yarns, to meet consumers' changeful demands.

- (3) Industrial development trend: Continue renovate existing in-plant machines to collaborate with branded customers, and develop high-end sportswear market, and foray into emerging antibacterial/healthcare fabric market.

3.Special fabric

- (1) Industrial status and development: Shipment volume of antistatic fabric hit new high in 2021, thanks to near 50% growth in demand for isolation- and antibacterial-gown fabric, demands for recovered flame retardant fabrics from the Middle East, despite flat demands from Southeast Asia, and demands for fabric for uniforms of servicemen, policemen, and fire fighters remained flat.
- (2) Correlation between industrial upstream, midstream, and downstream sectors: Upstream staple fiber cotton suppliers for flame retardant fabrics are located mainly the U.S. and Europe, while midstream works, covering spinning, weaving, dyeing and finishing, printing, and laminating, are undertaken by suppliers in Taiwan, China, India, Turkey, the U.S., and Europe, and garment manufacturing in the downstream sector are dominated by suppliers in China, India, Southeast Asia, the Middle East, Europe, and the U.S.
- (3) Product development trend and competition: With customers holding a wait-and-see attitude amid price hikes of raw materials, cotton, and yarn, market became polarized, shifting towards high- and low-priced products, prompting the company to adjust its product mix to meet customers' different needs, on top of introduction of comfort-related features, such as elasticity and one-way moisture absorption, and use of environment-friendly auxiliaries, to meet sustainability demands of branded customers and cope with price competition on the global market.

4. Carbon-fiber fabric

- (1) Industrial status and development: With bicycle and other related industries beginning to recover in 2021, orders have picked up in 2022, for which the company has stepped up product development to meet market demands timely.
- (2) Correlation between industrial upstream, midstream, and downstream sectors: Carbon-fiber fabric and prepreg fabric belong to midstream sector, with upstream raw materials suppliers being Tairylan Division of Formosa Plastics Corp. and renowned Japanese carbon fiber plants and downstream customers including bicycle components and parts manufacturers, sports equipment manufacturers, shipbuilding materials plants, formed composite materials manufacturers, construction reinforcement operators, robotic arm manufacturers, and drone manufacturers.

(3)Product development trend and competition: Carbon-fiber fabric includes 1.5k, 3k, 12k, and 24k plain-woven/twilled fabric, resin prepreg, and carbon tablet and multiaxial laminate fabric, applicable to thermosetting and thermoforming. The company's composite materials plant has collaborated with upstream and downstream partners in developing thermoforming and thermosetting cases for 3C products, automotive components and parts, and robotic arms, in addition to engagement in construction reinforcement projects. Backed by a well-equipped laboratory, the plant can provide construction and inspection data to enterprises as references effectively and rapidly, boosting construction applications, extending the depth and breadth of products, and thereby augmenting sales.

5. Tire cord fabric

- (1)Industrial status and development: The tire cord fabric plant in Taiwan, with 2,600 tons/month capacity, supplies to markets worldwide, with domestic sales accounting for 33% and exports 67%, mainly for Southeast Asia, India, the U.S., China, Japan, South Korea, and Europe. The Vietnamese plant, with 1,600 tons/month capacity, ships 45% of its output to the local market and 55% abroad. Both have been confronted with stiff price competition in recent years, due to oversupply on the global market, on top of competition of zero-tariff import of polyamine cord from Mainland China and denial of preferential tariffs for exports in the case of the Taiwanese plant. In 2021, there was a full backlog of orders for fine-denier bicycle-tire cord fabric and stabbing-proof fabric, the former due to popularity of cycling during pandemic, but sales of auto-tire cord plunged, due to auto output reduction, caused by global chip shortage, a problem compounded by the U.S. levy of antidumping duty on sedan tire cord from Taiwan, South Korea, Thailand, and Vietnam.
- (2)Correlation between industrial upstream, midstream, and downstream sectors: Main materials of tire cord fabrics, including polyamine 6, polyamine 66, and polyester high-strength yarn, and yarn plants in Turkey, Indonesia, and China, at rather low prices, due to ample supply. 2021, however, was a tough year for the tire cord plant, due to chronic shortage of polyamine 66 yarn supply, caused by disruption of adiponitrile supply from Texas, a major production site, triggered by extreme cold weather, and shipping jam at major ports amid the pandemic. Consequently, combined sales of the Taiwanese plant and the plant in Dong Nai of Vietnam, dropped 10.9%, which, though was offset by price hikes of yarn and tire cord, induced by material shortage, boosting profits significantly.
- (3)Product development trend and competition: Due to rather low technological threshold, price competition, and disadvantage in tariff for major overseas markets, the Taiwanese tire cord plant has been transferring production of bulk-specifications products to the Vietnamese plant. Both have made further investments in production equipment for high-end products, boosting share of

bicycle tire cord with higher added value, in addition to continuing development of high-tier bicycle tire cord and carbon-fiber soft steel wire products, to enhance market share and margin.

6. PE bags

- (1) Industrial status and development: Pressured by chronic competition, the company's plastic bag plant has focused on the Japanese market, accounting for 79% of sales, followed by America with 20% and Taiwan with 1%.
- (2) Correlation between industrial upstream, midstream, and downstream sectors: Upstream materials high-density polyethylene (HDPE) and masterbatch are supplied by Formosa Plastics Corp., which engages in film blowing, printing, and bag making, mainly for supplying vest bags, point-break bags, and garbage bags to supermarkets, mass merchandisers, and convenience stores.
- (3) Product development trend and competition: In line with increasing environmental awareness worldwide, ban or restriction on vest bags is a global trend in recent years. Japan's Ministry of Environment, therefore, has forbidden of free vest bags from 2020, except those biodegradable ones with thickness over 50 mic or those containing at least 25% of bio-plastics. In the same vein, Chilean government has restricted the use of vest bags since Aug. 2020, except biodegradable ones or those for carrying unpackaged merchandises. Faced with increasing rigorous regulations, price competition, and usage ban or restriction, the company will rely on quality to maintain steady growth and development of new products with new environment-friendly materials.

7. Formosa Taffeta gas station (105 stations)

- (1) Industry status and development: There were 2,491 gas stations in Taiwan as of the end of 2021 (source: the Bureau of Energy, the Ministry of Economic Affairs), including 610 owned by CPC Corp., Taiwan directly, with the remainder being gas stations run by private enterprises, franchised stations, and independent stations.
- (2) Association among upstream, midstream, and downstream sectors of the industry: Gas stations are situated at the end of the channel of oil-product market, with oil products supplied by CPC Corp., Taiwan and Formosa Petrochemical Corp. mostly, as import volume is very low.
- (3) Development trend and competitive status: The competition among gas stations in Taiwan is fierce, and it is a highly mature market. The requirements for multiple services and SOP operations for station services must be higher than the peers in the industry. Upstream oil plants are also developing differentiated oil products. Formosa Petrochemical launched 95 Plus gasoline to make driving smoother, more fuel-efficient, strong horsepower, and faster acceleration. It has effectively reduced engine carbon deposits and pollution emissions. The increase of selection volume can be expected. The sales ratio

of gasoline and diesel in Taiwan: gasoline accounts for about 70%, and diesel accounts for about 30%.

- (4) Engaged in the running of gas stations, retail of oil products, plus some auto and daily-life goods, and car-washing business, Therefore, the company has focused on the management of gas stations, including quality of services, personnel deployment, promotion of by-products, and car washing. The Company consistently strengthens SOP standard operations and training.

(C) The State of Technology and Research & Development

Year	Expense in R & D(NT\$)	Result
2021	254,430,094	1.Smart technology thermal control model optimisation 2.Nomex anti-NIR camoflougue fabric development 3.ZDHC/ chemicals management and promotion project 4.Temperature/moist reactive color change fabric 5.Graphene cooling/ warmth retention fabrics development 6.Schoeller Cold black/bio-3XDRY/Nanospere/c-change collabration 7.bio-degradable fabirics 8.Ocean recycled & recycled fishing net fabrics 9.Irregular cross-section fiber combination development 10. Waterless dye(Aqua-off® 、Solution Dyed) 11.Taiwan textile federation collaboration 12.Biomass plastics development 13.Kevlar high-end bicycle unidirectional anti-stab fabrics development 14.Hybrid tire cord
2022 Q1	60,220,043	1.aerobrane™ outerwear/urban waterproof breathable fabrics is commercialized and order received. 2.Bio PA 410, Bio PA11 and Bio PET fabrics are coomercialised. 3.Ocean recycled PET fabrics is commercialized and order received.

(D) Long- and short-term business development plan

1. Polyamide/polyester filament woven & dyed fabric

1.1 Short term

- (1) Expand supply of product mix featuring highly differentiated niche products and environment-friendly materials.
- (2) Tap business of emerging brands, flexibly adjust the interaction between orders and capacity, and assure stability of order sources.
- (3) In line with the trend of orders with short-delivery time among market customers, offer customized service covering product recommendation throughout product development to customers, to solicit their orders.
- (4) The company must dedicate to enhancement competitiveness of supply chain, via R&D/ equipment/quality/delivery time/service.
- (5) In response to ESG current, actively seek treatment of discharged water, including separate sewer, regeneration, and recycling, to attain the

goal of volume reduction, supply reduction, and consumption reduction.

1.2 Long term

- (1) Intensify market information collection, strengthen strategic partnership with branded customers, consolidate supply chain, and raise full-purchase rates of branded customers.
- (2) Tap multiple terminal markets, in the four categories of outdoor apparel, functional sportswear, fashion and leisure, and umbrellas for both sunny and rainy days.
- (3) Materialize the benefit of KPI (key performance indicators) and assure rapid and punctual delivery of goods, so as to meet customer demands.
- (4) Form strategic alliance with apparel suppliers designated by branded firms, develop and promote products with material suppliers, apparel firms, and design houses jointly.
- (5) In response to the request of branded firms to cut energy and water consumption in process, Formosa Taffeta's various plant premises plan to complete various environment-protection projects according to schedule, so as to enhance the competitiveness.

2. Cotton yarn

2.1 Short term

- (1) Collect suitable new fibers and combine special fabric plant's technological and channel advantages in collaborative development of new anti-epidemic, protective, and medical-care products.
- (2) Continue formation of strategic alliance with major upstream materials suppliers for development of new products and new usages, to extend life of various product lines.
- (3) Develop innovative new yarns with new compound functions following installation of new compound yarn machines, to as to tap branded customers for high-priced products.

2.2 Long term

Introduce Taiwan-made new hi-tech textile materials, meet end customers' demands for diversified products with compound functions, develop new products according to the principles of customization, differentiation, and sustainability, and take advantage of technology edge for integrating upstream, midstream, and downstream products, in the hope of becoming a key solutions provider for functional short-fiber textiles in the Asia-Pacific region.

3. Special textile

3.1 Short term

Amid the rampant pandemic, step up marketing for medical isolation-gown fabric, push exports of anti-epidemic uniform fabric, and intensify inroads into protective uniform markets for foodstuff industry, automotive industry, and other general applications. Increase customer options for flame retardant fabric with development of fabrics with different flame retardant fibers and medium- and low-priced fabrics. Offer camping-use fireproof fabric and add the appeals of elasticity and one-way moisture absorption, to boost demands for flame retardant fabric in various fields. Boost sales of industrial fabric by tapping the emerging markets of anti-stabbing, anti-water jet, anti-dog bite, attemperator, and emergency bag fabrics, to as to attain short-term target.

3.2 Long term

Employ recycled polyester yarn for production of antistatic fabric and develop environment-friendly dye auxiliaries, in compliance with the sustainability current, and collaborate with downstream garment manufacturers in probing the feasibility of recycling clean-room gowns, surgical gowns, and sterile clothes, to reduce carbon footprints, energy consumption, and carbon emission. Develop e-vehicle plant uniforms, environment-friendly antibacterial food industry uniforms, and paint-spraying clothes, employ rayon yarn and other environment-friendly materials for production of fireproof fabric, and adopt fluorine-free water-repellent agents. Collaborate with upstream suppliers for use of recycled materials and downstream garment plants for garment recycling, to slash environmental garbage. Develop thermal forming resin and product recycling technologies for industrial fabric, in with the increasingly rigorous environmental-protection standards and the need of sustainable development.

4. Carbon-fiber fabric

4.1 Short term

Install new production equipment to enhance prepreg capacity and meet surging demands of Taiwanese bicycle manufacturers.

4.2 Long term

Develop carbon fiber-resin compound material, install new production equipment, tap the markets of automotive, bicycle, and sports equipment, and utilize compound-material forming technology to collaborate with customers in developing and producing related components and parts.

5. Tire cord

5.1 Short term

- (1) Polyamine tire cord of the Taiwanese plant: Due to steep materials price hike, weakened demand, and insufficient polyamine yarn supply, output and sales of polyamine tire cord will remain sluggish in short term but sales prices will stay high for the time being. The Taiwanese plant will continue raising the share of high-tier bicycle tire cord and anti-chafing fabric in sales, optimize product mix, and remove low-priced negative-margin products, to boost profits. It will step up effort penetrating such main markets as Taiwan, the U.S., Japan, Southeast Asia, India, and Europe, while continuing develop business for fine-denier fabric for high-end bicycle tires. To evade tariff barrier, the Taiwanese plant will transfer some orders to the Vietnamese plant.
- (2) Polyester cord: After alleviation of auto chip shortage, secure polyester yarn supply from Nan Ya Plastics Corp. and step effort soliciting orders from sedan tire plants in Taiwan, South Korea, Serbia, India, and Indonesia, to keep up overall sales volume and market competitiveness. Following launch of environment-friendly polyester cord yarn by Nan Ya in the second quarter of 2022, actively seeking verification of such cord by branded tire manufacturers in the U.S., Europe, and Japan, thereby augmenting the company's ESG image.
- (3) Other high value-added products: Increase sales of high added-value products, such as anti-chafing fabric, high-tier bicycle fine-denier tire cord, and anti-stabbing fabric, as well as carbon-fiber soft steel wire products for use in high-tier no-inner tube highway bicycle tires.
- (4) Vietnam plant: Amid rampant COVID-19 pandemic, maintain full-capacity operation at 1,600 tons/month and products of new single-yarn impregnating machines have verified and purchased by many customers in 2021, following installation of the machines in June 2020 and gradual improvement of maintenance and repair problem. Meanwhile, operations of new production equipment for fine-denier tire cord, anti-chafing fabric, and anti-stabbing fabric have been launched successively in 2022, with output mainly for supply to customers in Southeast Asia, contributing to product-mix optimization and increase of profits.

5.2 Long term

In order to strengthen the management of the Taiwanese plant and the Vietnamese plant, carry out serial improvement measures from 2021, such intensified arrangement and analysis of various management data, intensification of management efficacy, slashing of failure cost, rationalization of production schedule, precision cost analysis and control, increase of equipment availability rates, and preparation of written and audiovisual

materials on various standard operating procedures, so as to augment management efficacy for equipment, manpower, materials, and technologies, on top of intensifying in-plant measures on waste abatement and reduction of waste-water discharge.

In sales, integrates production and sales of the Taiwanese and Vietnamese plants by supplementing their respective advantages, so as to alleviate the impact of changes in the general environment. The Vietnamese plant, for instance, will intensify sales to markets where it enjoys preferential tariffs, thanks to participation of Vietnam in such various free-trade agreements, including ASEAN, RCEP, CPTPP, and FTA, while the Taiwanese plant will focus on development and sales of high value-added niche products, tapping the so-called "blue sea" markets.

6. PE bag

6.1 Short term

In accordance with the laws and regulations of some countries, the Company produces bioplastic new bags, focusing on securing existing customer and developing new customer and reducing production costs. According to the declined trend of raw material prices in 2021, the Company will adjust the inventory of raw material and finished products to reduce the cost of raw material and the inventory of finished products.

6.2 Long term

The Company pays attention to the logistic industry and industrial packaging materials products, in response to the development of demand for environmentally friendly plastic products, develop related new products, and seek transformation and sustainable operation.

7. Formosa Taffeta gas stations (105 stations)

7.1 Short term

- (1) Recruit customers by contract: Solicit bulk oil-consumption customers in the fields of agricultural machines and industries, so as to boost oil sales.
- (2) development plural payment instruments and intensify sales promotion, so as to stabilize existing customers and strive for new ones and enhance oil sales.
- (3) Offer sophisticated car-washing service and improve service quality, to increase revenue.
- (4) Adjust stocks, in line with price fluctuation.
- (5) Enhance corporate image, via engagement in community charity activities.

(6) In line with increasingly strict supervision of gas stations by municipal governments, in terms of inspection of safety, equipment, and environmental protection, the company carried out online management of all the 105 stations, improving report of defects, reducing penalties, strengthening environmental protection, and assuring communal safety.

7.2 Long term

- (1) Phase out stations with lackluster performance, taking into account lease length and locations, so as to boost overall profits of gas station operation, expanding market share by increasing new stations.
- (2) To save manpower and meet customer demands, increase installation of self-service filling equipment, as part of the effort to fully automate the operation of gas stations, so that every station has self-service option to provide customer discounts.
- (3) Push co-brand card and membership card, to increase non-oil revenue and raise customer loyalty.
- (4) Diversify revenue sources, offer sales of urea, sales of the Company's own products, manual car washing and installation of charging and replacement power stations, etc.
- (5) With electric motorcycles have caused an increasing impact on the operation of gas stations, cautiously consider long-term countermeasures for the trend of electric vehicles and driverless cars, but environmental protection and carbon reduction that are conducive to Taiwan's environment, are generally in response to technological changes.

B. Market and production/sale status

(A) Market analysis

1. Major outlets and market shares

The textile products produced and sold by the Company are widely used in the people's livelihood and are not in the oligopolistic market such as electronics or rare products. There are hundreds of thousands of companies in the same industry in the world, and the requirements of products and materials vary. As there is a lack of transaction volume data collected by international agencies or customs of various importing countries, and one enterprise account for relatively low ratio in the global production and sales, Therefore, the market share data can hardly be found. However, we are pursuing full production capacity of equipment, focusing on the substantial growth of annual overall production quality and sales volume, focusing on the continuing order and full purchase rate of existing customers for similar processing fabrics of filament plain woven fabrics, and expanding customer territory in the market of

emerging countries.

(1) Polyamide/Polyester filament dyed fabric

Formosa Taffeta's textile products are shipped mainly to four end markets: sportswear with 49.2%, outdoor functional wear with 35.7%, casual wear with 11.8%, and umbrella with 3.3%. Major customers are international renowned brands, with which the company has entered into strategic alliance, forming a tight supply chain along with apparel manufacturer customs, which covers product design, joint development of materials, fabric design, dyeing and finishing, and apparel. The company's fabric is supplied mainly to apparel plants in China, Hong Kong, Northeast Asia (South Korea, Japan), Southeast Asia (Vietnam, Indonesia, Thailand, Laos, Burma). Customers' continuing purchase volume and full purchase rates fluctuate along with performance for sales to branded customers.

(2) Cotton yarn:

1) Sales outlets: ratio between domestic sales and export and areas are shown in the following table:

Area	Year	Taiwan	Southeast Asia	South America	Others	Total
Sales share (%)	2020	90	7	1	2	100
	2021	83	9	3	5	100
Explanation	Calculation on yearly basis					

- 2) Traditional yarn accounted for 28.1% of the sales volume of the cotton weaving plant in 2021, with the remaining 71.9% for functional yarn, but in terms of sales amounts the share of Traditional yarn was 10.3%, functional yarn was 89.7%, which underscores the high added amounts of the latter.
- 3) Orders have been in decline, along with massive outward transplantation of downstream textile manufacturers in Taiwan, plus flooding of low-priced imported yarn on the domestic market, seriously threatening the survival of domestic traditional yarn manufacturers, many of which have scaled down or even shut down operations.
- 4) Intensify R&D on differentiated products, carry out vertical integration, in collaboration with upstream and downstream business partners, and focus on the production of functional protective yarn, thereby boosting market competitiveness.
- 5) Nimble adjust production equipment and product mix, grasp changeable fashion business opportunities, evade competition with imported bulk-specifications products, and tap high value-added sophisticated markets, keeping up edge of Taiwanese cotton yarn manufacturers.

(3) Special fabric

1) Sales outlets: Major outlets with shares are shown in the following table:

Area	Year	Taiwan	Europe & the U.S.	Asia Pacific	Total
Sales share (%)	2020	12	28	60	100
	2021	13	24	63	100
Explanation	Calculation on yearly basis				

2) Anti-static electricity fabric is shipped mainly to the European and Taiwan market.

3) The main market for flame retardant fabric is Asia-Pacific and the mid-east.

4) The main market for technical fabrics is in Taiwan and Southeast Asia .

(4)Carbon-fiber fabric

1) The Company's carbon fiber composite material factory is the only manufacturing plant in Taiwan that is equipped with production facilities of carbon fiber fabrics, epoxy resin prepregs, multi-axial carbon fiber fabrics, and compression molds that can meet the diverse needs of customers.

2) Domestic sales accounts for 78% and 22% for foreign sales. The export areas include Japan, South Korea, Thailand, mainland China, Australia, Canada, Middle and South America and Europe.

(5)Tire cord

Sales outlets: Major outlets with shares (Taiwan plant & Dong Nai plant) are shown in the following table:

Area	Year	Taiwan	India	South east Asia	North east Asia	China	The U.S.	Others	Total
Sales share	2020	30	10	34	7	8	6	5	100
	2021	20	16	39	5	8	5	7	100
Explanatio	Calculation on yearly basis (Taiwan plant + Dong Nai plant)								

(6)PE bag:

In 2021, Japan was the largest outlet for the company's PE bags, boasting 79%, followed by America with 20% and Taiwan with 1%. On the basis of existing niche, the company has been actively developing new customer sources, in order to raise market share. The company has been substituting new equipment for old ones, in order to meet the growth of demands from increasing convenience store outlets in Japan, achieve energy conservation and cut carbon emission, lower production cost, develop differentiated and environment-friendly products, improve product mix, and enhance product competitiveness. Besides, in order to cooperate with the plastic restriction and carbon reduction policies implemented in Japan, the bio-environmentally friendly T-shirt bag has been certified by JBPA in Japan, and will be used in 7-11 convenient stores since June 2020.

(7)Formosa Taffeta gas stations:

1) Market share: There were 105 Formosa Taffeta gas stations as of the end of 2021, whose oil supply volume per station was slightly lower the industry average, with market share reaching 3.0%. Taiwan's gas stations are divided into three groups, stations directly owned by CPC Taiwan (610 stations for

24.5% share); sub-groups of stations run by Formosa Taffeta, Formosa Oil, NPC, Uni-President Smile, Taiwan Sugar, and Shan-loong (each with 70-110 stations); and small-chain or individual stations.

2) Outlook for supply and demand and growth potential on the market: Under the oligopoly of CPC Taiwan and Formosa Petrochemical Corp., supply on the domestic oil-product market is not a problem. 2021 was a tough year for the operation of Formosa Petroleum Station, due to sharp drop in people's outdoor activities during the 70-day third-degree lockdown for combating the pandemic in May and surging global oil prices. Sales volume is expected to score slight growth in 2022, thanks to introduction of multiple payment methods, specific marketing programs, and launch of new gas stations.

3) Development of competition and countermeasures: Major competitive practices on the gas-station market include price cut, preferential rate for credit-card customers, and preferential charge for car washing, adopted by stations run by large business groups or chain stations in pushing various sales campaigns. As a member of Formosa Plastics Group, Formosa Taffeta gas stations boast the advantages of established brand, quality, systemized operation, availability of self-produced promotional items, preferential treatment for credit-card consumption, and logistics support. Consequently, the company has carved out a solid market share, especially in central and southern Taiwan. Faced with acute competition on the mature market, Formosa Taffeta gas stations will continue providing preferential rates to customers with cash or co-brand card payment and VIP card holders and pushing personnel training, 5S operation, and TPM management, plus promotion of self-service gas filling, monthly bills for agricultural-machinery and corporate customers, professional car-washing service, use of by-products in sales campaign.

2. Market sharers, demand-supply market outlook, growth potential, competitive edge, favorable and unfavorable factors for business outlook and countermeasures: Refer to aforementioned reports on various products and explanations in V. business status and I. business reports for shareholders of the pamphlet.

3. Market competitive status and countermeasure

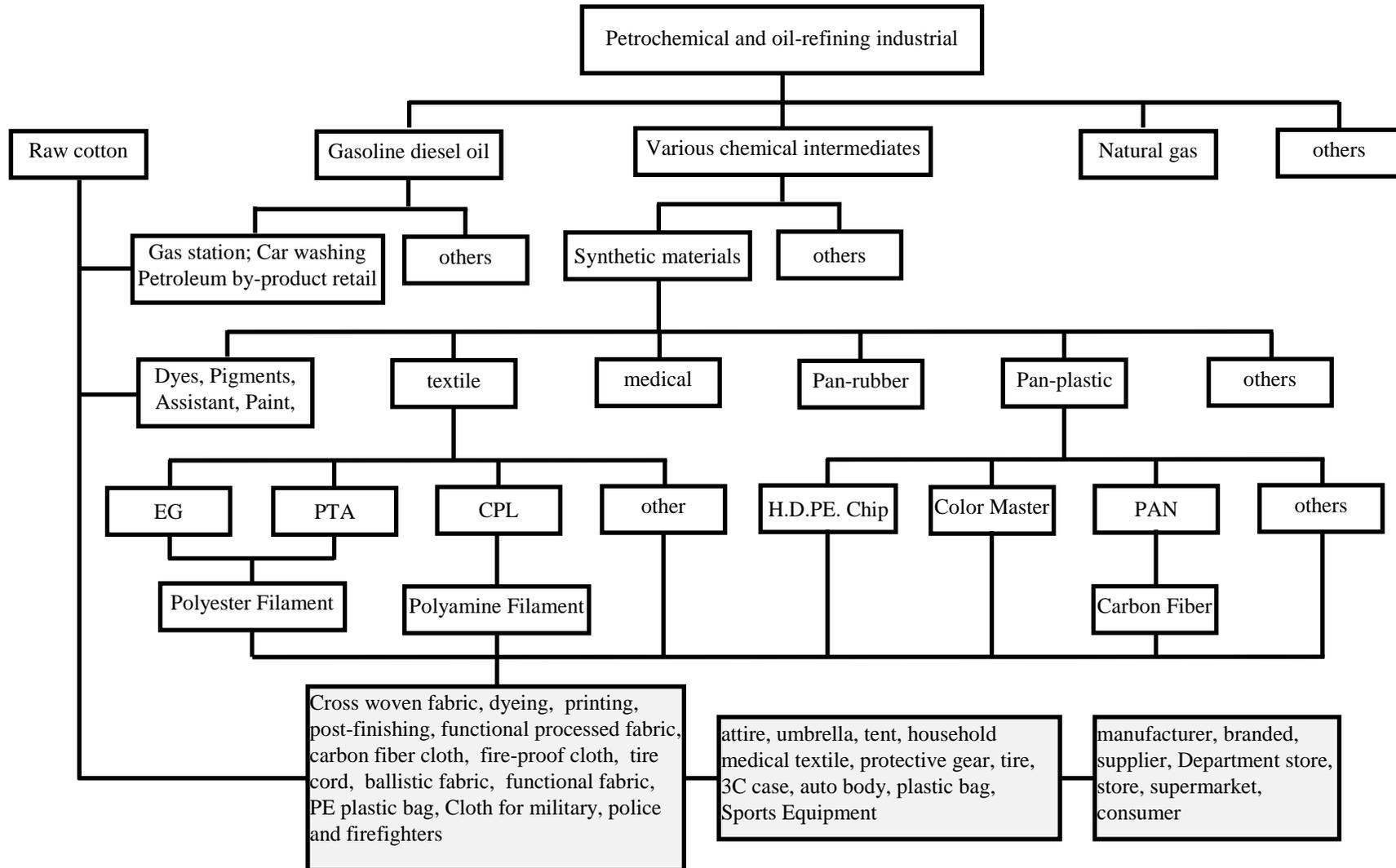
Except the B2C service of gas stations, all other products of the company are B2B Marketing model, for which the company has longstanding customers and enjoys the trust and acclaim of international branded final buyers. However, faced with the acute price competition from established firms and newcomers, the company has been endeavoring to develop new materials, new functions, differentiated features, and green and innovative products, plus insistence of quality and exploration of emerging markets, in order to shed reliance on blue-sea markets, products, and customers.

4.Linkage of supply chain

For years, the company has purchased 60% of raw materials from Formosa Plastics Group, without any concern about credit standing and transaction problems, and supplied over 60% of products to reliable longstanding and branded customers, assuring stable business.

Chart of the connection of the company' supply chains for up-, medium- and downstream materials and products

Textile Industrial Chain of Taiwan



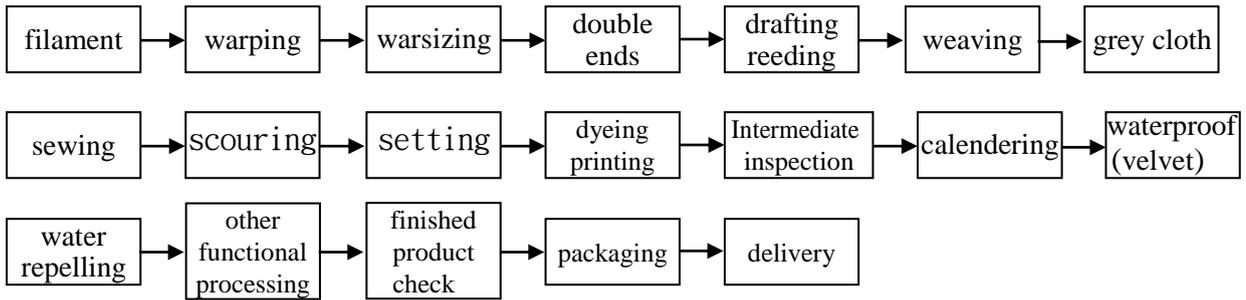
(B) Major purposes and production processes of various products

1. Major purposes of various products

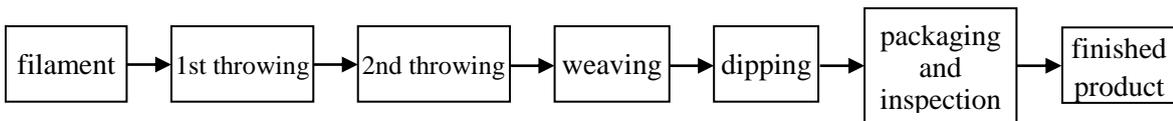
Product name	Major purposes
Polyamide fabric	Air-permeable raincoat, water-proof air-permeable snow coat, jackets, sleeping bag, down jackets, sportswear, hunting jacket, hat, tent, air mattress, golf umbrella, beach umbrella, wind sail, gloves, and anti-magnetic wave shields, Multifunctional smart clothing such as temperature control, light display, detection and positioning
Polyester fabric	Casual sportswear, ultra thin-fiber clothes, curtain
Cotton fabric, blended fabric, long- and short-fiber interwoven fabric, dyed check	Garment, jacket, shirt, knapsack, medical and sanitary fabric
Tire cord	Various kinds of tire cords, tire chafer, base cloth of conveyer belt, anti-stab fabric of bike tire, lining
PE bag	Shopping PE bag, point-broken roll garbage bag, sanitary bag
Combed cotton yarn, blended yarn	For production of various woven and knitted fabric, cotton and blended woven fabric, long- and short-fiber interwoven fabric, and dyed check
New functional yarn	For production of fabrics for various clothes, bedding, health-related products, casual sportswear, clothes and hats, overcoats, parasol (umbrella), as well as other kinds of woven and knitted fabric
Protective textile	Fire-proof fabric and fabrics for uniform of air-force pilot, tank-operator fatigues, clothes for task-force operatives, firefighter clothes, arc-welding work clothes
Special textile	Clean-room clothes for electronics, foodstuff, and pharmaceutical industries, surgeon clothes, wrapping fabric, anti-bullet and anti-stabbing fabric, helmet, shield, drum paper for speaker, magnetoelastic-wave fabric for stereo equipment
Carbon-fiber composite fabric	Materials for sports equipment, bicycles, motorcycles, autos, aeronautics, 3C products, industrial robotic arms and mechanical structures, construction reinforcements, and wind-turbine blades
Premium diesel oil, 98, 95 Plus, 92 unleaded gasoline, various kinds of engine oil, daily-life merchandises, car washing	Auto fuel oil, generator oil, lubricants, and maintenance and cleaning products

2. Production process of major products

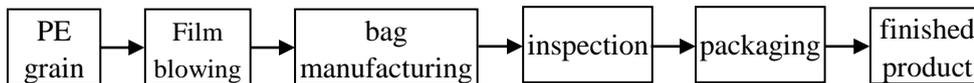
(1) filament fabric :



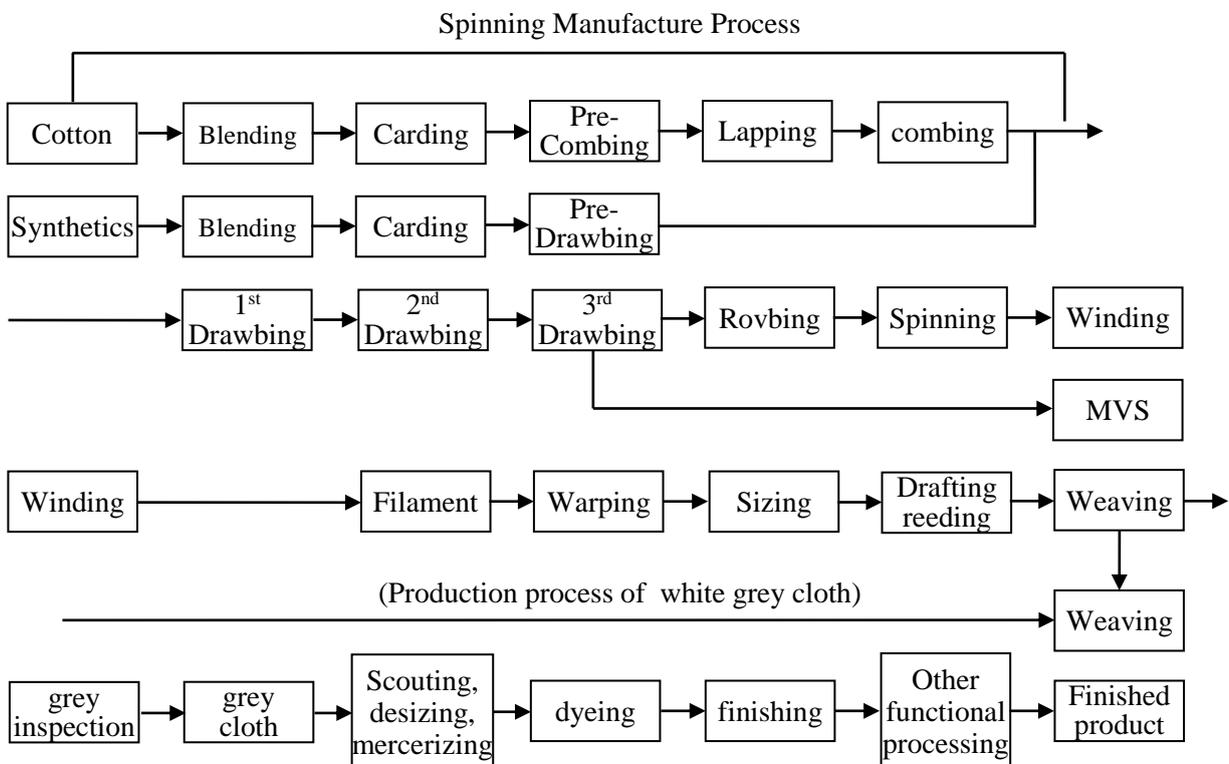
(2)Tire cord:



(3)PE bag:



(4)spun fabric:



(C) Supply status of major raw materials

Dec. 31, 2021

unit: NT\$1,000

Kinds of raw materials	Unit	Quantity	Amount	Major suppliers
Tire- cord filament	Metric ton	28,368	2,784,310	Formosa Chemicals & Fibre Corp., Sheepon Company
Polyamide filament	Metric ton	6,800	622,394	Formosa Chemicals & Fibre Corp., Formosa Industries Corp., Far Eastern New Century
Polyester filament	Metric ton	7,713	604,567	Nan Ya Plastics Corp., Lealea Enterprise, Toray Industries, Sinkong Textile
Assistant	Metric ton	26,839	1,619,051	Farsmart Co., Ltd., Huntsman, Global Shine Corp.
Polyester tire-core filament	Metric ton	5,876	236,065	Nan Ya Plastics Corp., New Site Industries
Cotton, polyester staple fiber	Metric ton	3,328	218,632	Formosa Chemicals & Fibre Corp., Nan Ya Plastics Corp., Tsaiyi
Dye	Metric ton	2,514	563,644	Jinhuang, Taifeng, Xiejing
Grey cloth	1,000 yards	22,157	392,997	Qinjiashang, Suzhou Xinjincheng
Alkene	Metric ton	4,358	125,188	Formosa Plastics Corp.
Dressing compound	Metric ton	4,279	132,344	Lisong, Jinneng, Wenhao, Jue

(D) Names of customers/suppliers accounting for over 10% of the procurement (sales) of the company in The two recent years, their values and shares

1. Names of major suppliers for procurements

The company's oil product division has been actively making deployment in oil-product channels and expanding the number of gas stations, in addition to responding to the demands of customers, resulting in the following changes:

Unit: NT\$1,000

Item	2020				2021				as of the first quarter of 2022 (note 2)			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Formosa Petrochemical Corp.	8,144,370	37.06	Stakeholder	Formosa Petrochemical Corp.	9,640,038	36.70	Stakeholder	Formosa Petrochemical Corp.	2,613,546	34.71	Stakeholder
2	Others	13,829,438	62.94	-	Others	16,626,212	63.30	-	Others	4,915,114	65.29	-
3	-	-	-	-	-	-	-	-	-	-	-	-
	Net Purchases	21,973,808	100	-	Net Purchases	26,266,250	100	-	Net Purchases	7,528,660	100	-

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

2.Names of major customers

Changes resulting from the need of market diversification, development of new customers, and changes of customer demands:

Unit: NT\$1,000

Item	2020				2021				as of the first quarter of 2022 (note 2)			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Others	28,783,492	100	-	Others	32,799,007	100	-	Others	8,913,782	100	-
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
	Net sales	28,783,492	100	-	Net sales	32,799,007	100	-	Net sales	8,913,782	100	-

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

(E) Output Quantity and amount in recent two years

Unit: NT\$1,000

Major products \ output	Year	Units	2021			2020		
			Capacity	Output Quantity	Output Amount	Capacity	Output Quantity	Output Amount
Polyamide/polyester fabric		yards	346,290,000	270,739,000	13,371,223	312,914,000	239,279,000	11,975,084
Polyamide/polyester tire cord		metric tons	64,400	43,988	7,228,018	64,400	47,285	6,065,776
PE bag		metric tons	8,040	3,742	243,329	8,040	4,514	273,930
Yarn count		pieces	26,400	13,450	532,800	26,400	13,291	343,282
Special fabric		yards	5,040,000	6,648,000	1,155,666	5,040,000	5,331,000	944,094
Total					22,531,036	-	-	19,602,166

Note : 1. Capacity refers to production amount of the company's existing production equipment under normal operation, after excluding the factors of necessary suspension of operation and holidays.

(F) Sales Quantity and amount in recent two years

Unit: NT\$1,000

Year Sales Major products	Units	2021				2020			
		Domestic sales		Exports		Domestic sales		Exports	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Polyamide/ Polyester fabric	yards	27,886,000	1,068,414	235,492,000	11,920,218	31,492,000	1,014,549	192,055,000	10,747,695
Polyamide/ Polyester tire cord	metric tons	8,658	1,814,589	33,662	5,229,014	10,684	1,763,348	36,951	4,363,624
PE bag	metric tons	936	46,472	2,823	197,965	1,032	46,591	3,437	224,579
Yarn count	pieces	11,169	391,747	1,437	117,932	10,489	268,729	312	11,522
Special fabric	yards	4,651,000	669,106	2,212,000	441,251	3,721,000	498,811	1,834,000	372,406
Petroleum product	kiloliters	427,106	10,811,504	0	0	465,628	9,414,248	0	0
Land development			4,531		0		19,252		0
Business Solicitation income			-		31,652		-		31,992
Commission income			54,612		0		6,146		0
Total			14,860,975		17,938,032		13,031,674		15,751,818

C. Human Resources

Year		2020	2021	Current year as of March 31, 2022
Number of employees	Male	1,755	1,697	1,666
	Female	798	802	796
	Total	2,553	2,499	2,462
Average age		45.7	46.0	46.2
Average length of service		19.1	19.0	18.5
Distribution of Education %	Ph.D.	0	0	0
	Master	1.68	1.92	1.95
	Bachelor	39.48	39.82	39.69
	Senior High School	52.81	52.68	52.23
	Below Senior High School	6.03	5.88	6.13
Note	1. Additional employment of 520 foreign laborers, 229 contract laborers, and 1,141 gas-station workers in 2020. 2. Additional employment of 447 foreign laborers, 234 contract laborers, and 1,093 gas-station workers in 2021 3. Additional employment of 479 foreign laborers, 239 contract laborers, and 1,100 gas-station workers as of March 31,2022.			

D. Information on environmental-protection outlay

(A) In the recent year and as of the date for the publication of the annual report, total value of the loss and handling cost for employee injuries from polluted environment and working environment:

Item \ Year	2021	As of March 31, 2022
Compensation recipient or handling unit	Competent authority	Competent authority
Compensation value or handling status	NT\$486,000	NT\$ 411,000
Other loss	0	0
Explanation	Fine of NT\$466,000 for violating the regulation on waste disposal and water pollution control Act. Fine of NT\$ 20,000 for a case in violation of the Occupational Safety and Health Act.	

(B) Future countermeasures and possible outlays

1. Current and future improvement measures and countermeasures:

- (1) Carry out the registration operation in compliance with the law
- (2) Use the state-of-the-art control system and technology to reduce pollutants.
- (3) Continue carrying out operations for reducing air pollutants, and improve the operators' abilities.
- (4) Set up the alarm and emergency procedures in case of any emergencies.
- (5) Implement regular trainings for employees.

2. Plan for installation of pollution-abatement equipment within two years

Year	2021	2022
Item		
Plan to purchase pollution abatement equipment or contents of outlays	<ol style="list-style-type: none"> 1. Installation of 2.6 MW rooftop PV power system at NT\$130 million, cutting CO2 emission. 2. Substitution of natural gas for heavy fuel oil, entailing outlay of NT\$45 million for installation of new pipes and equipment renovation, cutting CO2 emission 3. Reduction of raw coal consumption by 3,500 metric tons, cutting CO2 emission 4. Installation of 3,500-metric ton reverse osmosis printing and dyeing water recovery equipment at NT\$36 million 5. Replacement of one main transformer for ultra-high 69kv substation station at NT\$15 million. 6. Further renovation and improvement of waste-water treatment equipment at NT\$20 million 	<ol style="list-style-type: none"> 1. Further substitution of natural gas for heavy fuel oil, entailing outlay of NT\$30 million for installation of new pipes and equipment renovation, cutting CO2 emission. 2. Reduction of raw coal consumption by 5,000 metric tons, cutting CO2 emission 3. Further renovation and improvement of waste-water treatment equipment at NT\$30 million 4. Installation of tap-water pipes at NT\$30 million
Expected improvement	In line with government policy, raise the share of usage of regenerated water, green power, and other green energies, cutting CO2 emission and waste-water discharge	In line with policy, raise the share of usage of green power and other green energies, cutting CO2 emission and waste-water discharge
Amount	24,600,000	80,000,000

3. Influence of measures responding to the implementation of EU Restriction of Hazardous Substances Directive (RoHS) on the company's finance:

In line with the spirit of corporate sustainable development, the company has strictly regulated and banned the use of various hazardous substances in production and operation, as a result of which RoHS has no major influence on the company's finance.

4. Environment Policy

(1) Safety, Health, and Environment Policies

- Ensure compliance with relevant safety, health, and environment regulations and other reasonable demands of stakeholders.
- Make good use of the Safety, Health, and Environment Administration System to strengthen pollution prevention and reduce hazardous impacts.
- Promote hazard identification, risk evaluation, and risk control to prevent damage and health hazards.
- Promote energy conservation and reduction to reduce the impacts of environmental damage and hazards to health and safety.
- Strengthen neighboring relationships, establish good communication channels, enforce routine inspections, ensure reviews, and seek continuous improvements.

(2) Measures for reducing greenhouse-gas emission:

Dedicated unit conducts inventory and registration of greenhouse-gas emission and supports pushing of energy conservation and carbon abatement, decreasing CO₂ emission, in line with global environmental-protection trend. In 2020, 71 cases of energy conservation and carbon abatement were completed, reducing CO₂ emission by 7,121 tons/year.

(3) Measures governing air-pollution abatement:

- Reduce pollutants of boilers and process equipment, such as Sox, Nox, VOCs, and dust and install new and effective recycling equipment, to raise pollutant-removal efficiency and reduce emissions.
- Install air-pollution abatement equipment for boiler and process, including static-electricity dust collector, wet-type flue gas desulfurization column, SCR smoke-exhaust denitrifying equipment, active-carbon and condensation-nucleus recycling absorber, and heat-storage incinerator.
- Conduct eriodic calibration and inspection of autonomous boiler smoke detection equipment and declaration of air-pollution fee.

(4) Water pollution abatement management measures

The Company applies for discharge approval, formulates measures governing water pollution abatement, according to regulation, and enforces waste-water abatement to a level conforming the standard for waste (polluted) water discharge.

In compliance with environmental-protection law/regulation, the company has installed around-the-clock detection equipment for discharge at waste-water treatment plant, analyzing water quality and recording water volume, which is connected to the website of environment-protection agencies.

(1) Source management for waste water

Pertaining to facilities for waste-water collection, transmission, and advance treatment, formulate regulations on operation, control, and monitoring of waste-water resources, so as to materialize source management for waste-water quality and quantity.

- a. facilities for collection, transmission, and advanced treatment of waste water from process and measurement;

- b. facilities for collection, transmission, and advanced treatment of waste water from daily-life activities and measurement;
- c. properly install separate sewer system;
- d. monitoring of waste-water quality and quantity from various sources;
- e. purchase low energy-consumption, low-pollution, and high-efficiency cutting-edge production equipment;
- f. R&D on branded green products;
- g. improve process to cut fresh-water consumption and install extra water-recycling equipment, to raise recycled-water utilization rate.

(2) Management of waste-water treatment facilities:

a. Management of waste-water quality and quantity:

- a) setup of dedicated unit for managing waste-water treatment facilities;
- b) application of permission for waste-water discharge and periodic declaration;
- c) self management via in-house and outside auditing units;
- d) commissioning outside unit for help with various application documents and execution of periodic water-quality inspection;
- e) Measures for installation and maintenance of autonomous CWMS continuous water-quality monitoring system for discharged waste water;
- f) intensification of the management and control of separated discharge of rainwater and sewage and dismantling of aberrational pipelines by deadline.

b. Regulation on the operation and management of waste-water facilities;

- a) regulation on the operation of waste-water treatment;
- b) regulation on the discharge of waste water;
- c) recording of waste-water treatment and online declaration;
- d) declaration for water-pollution fee;
- e) sludge treatment;
- f) abnormality reporting;
- g) monitoring of waste-water discharge and online connection.

- h) Rainwater management: Inspection, maintenance, and operation of rainwater discharge pipe and rainwater channel and lock gate in public area and installation of separate sewer systems at head plant and second plant.

5. Waste management measures:

For recycling and reuse of resources, it is necessary to control waste disposal and reduce and classify waste in process before outsourcing waste disposal legally, with major management measures listed below:

(1) Waste classification and storage:

Wastes are classified into common trash, process wastes, and engineering wastes for separate storage before calculation of amount for registration and declaration. Storage

containers must be in good shape, without filth, corrosion, leakage, or deformation and kept at sites with water (rain)-proof facilities and treatment facilities and labeling for waste water and foul gas. Sludge must be dried to cut water content before outsourcing for disposal.

(2)Waste disposal and treatment:

To assure legal reuse of final disposal of all wastes, pertinent management systems include:

a.formulate (revise) and update waste disposal plan according to law/regulation;

b.set up data on waste-disposal contractors;

c.standard procedure to assure completion of online waste declaration;

d.management of waste disposal plan to assure conformance of factory wastes to declaration data, in terms of items and quantity. In addition, for tracking the destination of wastes, require contractors to formulate procedure for tracking the progress of waste disposal, in conjunction with online declaration, plus spot check of waste-transport vehicles and requirement for contractors to provide online declaration documents when applying for disposal fees, to prevent illegal disposal of wastes.

6. Toxic and concerned chemical substances control measures

The company has formulated "toxic and concerned chemical substances control measures," managing the operation of toxic and concerned chemical substances, so as to assure operational safety, avoid environmental pollution, and comply with legal requirements.

Related management and preventive measures:

(1) In addition to mandatory online reporting on purchase, usage, and storage of toxic and concerned chemical substances, strictly control storage volume, to cut hazard risk.

(2) Containers and packages should bear clear labels and there should be various warning notices or signs in usage or storage areas.

(3) Regular detailed inspection of emergency response devices with checklist, to assure the good operating status (including calibration and testing by outside firms)

(4) There should be bank preventing overflow in the storage area.

(5) Train on-site people to be familiar with the operation of various production equipment and standard operating procedure for handling toxic and concerned chemical substances.

(6) Arrange regular education and training courses on toxic substance hazard for on-site people, to augment hazard response concept.

(7) Regular training and drill: Carry out two tests on response to toxic chemical substance accident without advance alert and one drill on response to toxic chemical substance accident every year.

7. Energy conservation and carbon abatement measures, inclusion of carbon credit into the company's carbon abatement planning:

The company has been pushing energy conservation and carbon abatement measures for years, including improvement of process to cut energy consumption, energy recycling and reuse, substitution of high-efficiency motors, installation of inverters, substitution of energy-saving lighting, waste-heat recycling and reuse, enhancement of equipment efficiency, as well as other energy management and conservation measures.

E.Labor-management relationship

(A) The company's various employee benefits, study and training, retirement system, plus execution status, as well as labor-management agreements and measures upholding labor rights and interests:

1. Employee benefit measures

(1) Leave benefit

Provision of various leaves for employees, including special leave, marriage leave, funeral leave, official leave, work-related injury leave, maternity leave, election leave, sick leave, menstrual leave, personal leave, family-care leave

(2) Insurance benefit

Arrangement of the coverage of labor insurance and national health insurance for employees according to the law

(3) Retirement benefit

Monthly appropriations for labor retirement fund and labor retirement reserve fund, in preparation for retirement-fund payment for employees upon their retirement according to the law.

(4) Marriage and child-rearing benefits

- a. Gift of cash for marriage or death of employees or relatives and subsidies for managerial staffers for the provision of such gift of cash.
- b. Installation of nursery room, for breastfeeding by employees during work time
- c. Provision of leave of absence for baby care, available for application by employees

(5) Health-care benefit

- a. Regular physical examination for certain employees mandated by law every year.
- b. For factory workers exposed to noise and other hazards to health, arrange special physical examination and carry out graded health management. The participation rate for the examination has been 100% in past years.
- c. Subsidies for employees and relatives receiving treatment at Chang Gung Memorial Hospital, which also offers discounts for employees and relatives taking physical examination there, provision of health and hygiene information irregularly, and organization of lectures on health issues in factory premise.
- d. Establishment of medical room and full-time medical care staffers in the factory premises, and organization of health-care events irregularly, including health and weight management, promotion of quitting smoke, cancer screening, and disease prevention and health care.

(6) Daily-life benefits

- a. Provision of gift of cash for birthday, Labor Day, and Mid-Autumn Festival.
- b. Planning and subsidy for such activities as employee travel and year-end dinnery party.
- c. Installation of employee restaurant, dormitory for singles, and convenience stores in factory premises.
- d. Provision of scholarship for employees' children.
- e. Arrangement of designated stores where discounts are available.
- f. Setup of corporate kindergarten.

(7) Employee restaurant

- a. Subsidy for employees' meals daily
- b. Two times of extra dishes every month and employees on duty during Spring Festival

(8) Promotion of employee relationship

- a. Subsidy for activities of employee associations
- b. Organization of sports contents to encourage sports hobbies among employees.
- c. Awarding staffers with excellent performance with citation certificates or prizes.

(9) Personal and family care

- a. Provision of work clothing or money for work clothing every year.
 - b. Setup of employee mutual assistance committee, with regular corporate contribution, providing grants to employees for marriage, death, disablement, child birth, and medical treatment, as well as death, medical treatment, marriage of family members, and education loans for children, according to measures of the committee.
 - c. Compensation for death of employee according to death compensation measures.
2. Employee study and training

The company has regarded employee education and training highly, with its training system including pre-job training for newcomers, job-related basic training, job-related professional training, and training for managerial candidates. Annual education and training plan has been formulated and executed, plus evaluation of the results. Moreover, to facilitate internationalization of operation, language training, mainly for English and Japanese, has been held.

3. Retirement system

(1) Application for retirement

- a. Age 55 or higher with over 15 years of service
- b. Over 25 years of service, regardless of age
- c. Age 60 or higher with over 10 years of service

(2) Mandatory retirement

- a. Age 65 or over
- b. Unsuitable to job, due to mental or physical disability

(3) Options for retirement payment

- a. Employees with the starting year of service before June 30 2005 has the option of choosing the retirement payment, calculated according to the "Labor Standards Act." For those who chose the retirement payment calculated according to the "Labor Pension Act" before June 30, 2010, the retirement payment for the portion of service years covered by the act will be calculated according to the stipulations of the act, with the retirement payment for the previous service years still being calculated according to the "Labor Standards Act." For service years covered by the "Labor Pension Act," the "Labor Standards Act" is not applicable.
- b. Employees joining the company after July 1, 2005 are all subject to the stipulations on retirement payment of the "Labor Pension Act."

(4) Calculation criteria for retirement payment

- a. Retirement payment is calculated by multiplying the average pay in the six months before retirement with base number, at maximum of 45, calculated according to article 55 of the "Labor Standards Act."
- b. Employees mandated to retire due to job-induced mental or physical disability are entitled to 20% markup on retirement payment calculated according to "Labor Standards Act."
- c. For employees covered by the Labor Pension Act," the company would appropriate 6% of their monthly pays for deposits into their personal
- d. labor-retirement accounts, to be withdrawn by them at age 60 via application with the Bureau of Labor Insurance, according to article 24 of the act.

(5) Application method for retirement

- a. Retirement applications must fill out two copies of "voluntary (mandatory) retirement application form," to be submitted, along with proof documents, to superiors for approval.
- b. For mandatory retirees, the retirement application form would be filled out by the human-resource department.

4. Status of the execution of employee benefit measures and retirement system: good

The aforementioned employee-related measures have been executed faithfully, with good results. In addition to regular provisions for new and old retirement funds every month, the company examines the balance in the account of labor retirement reserve fund at the end of every year, to assure the amount is sufficient to cover retirement payments in the coming year. The number of retirees in 2021 reaches 70.

5. Status of labor-management agreement: good

- (1) Labor-management meeting has been convened periodically, when labor and management representatives would discuss a wide range of issues, including labor-management relationship, promotion of labor-management cooperation, improvement of labor conditions, planning for labor benefits, and improvement of work efficiency.
- (2) Formulate work rule and personnel management rule, setting definite regulations on the rights and obligations of laborers and management, to help employees understand and uphold their rights and interests.
- (3) In line with legal requirements for labor safety, conduct physical examination for employees regularly, institute staffers in charge of labor safety and hygiene, and formulate various rules governing labor safety and hygiene, so as to prevent accidents and disasters and uphold employee safety.

6. Status for upholding various labor rights and interests: good

Based on the spirit of safeguarding employees' work rights and interests, set up integrated manpower mechanism, featuring job reassignment rather than layoff during business slowdown, which would be conducted after oral notice and according to set procedure. The company complies strictly with domestic and foreign norms on labor and human rights and institute a mechanism for regular communications with employees, notifying employees business changes with possible major consequences and treating all employees fairly, including:

- (1) Formulate labor conditions according related labor laws/regulations.
- (2) In line with the "Employment Service Act," provide job opportunities to all job seekers in an open, fair, and just manner.
- (3) Set up multiple channel for complaints by employees on infringement on or improper handling of their rights and interests.
- (4) Set up reward and punishment committee, consisting of various senior managers, for discussion and resolution on proposals of major rewards and punishments, for which related employees can appeal within seven days after publication.
- (5) Promote prevention of sexual harassment, formulate "measures against sexual harassment," and provide channels for complaints by employees on the issue.
- (6) Formulate "measures governing handling of complaints by internal and external stakeholders," offering smooth channels for complaints by internal and external stakeholders (including employees) on improper and unfair treatment or encroachment on rights or interests. Complaints expressed via such channels, including complaint box, dedicated complaint phones, and complaint e-mail address, are handled promptly. Employees can also put forth proposals at regular labor-management meetings and the meetings of employee benefit committee, an arrangement which can promote a harmonious labor-management relationship and contribute to the company's sustainable development. Complaint boxes are installed at spots frequented by employees, enabling employees to request assistance for job- or daily life-related problems, which are handled by designated staffers.

(B) Loss caused by labor-management disputes in the recent year and as of the date for the publication of the annual report

1. Status of labor-management disputes

Loss resulting from labor-management disputes in the recent year and as of the date for the publication of the annual report: nil

2. Value of loss: nil

3. Anticipated loss in the future

Given good labor-management relationship, as evidenced by rare labor-management disputes, it is predicted that chance for loss resulting from labor-management dispute in the future is slim.

4. Countermeasures:

Given increasing labor-right awareness, plus respect for labor dignity, confrontation can only be removed via intensified communication. As a result, the company has been striving to understand the opinions and employees' needs through various methods and channels. To ward off possible disputes, in case of revision of law/regulation and government policy, the company has communicated and coordinated with labor union, to attain consensus, in addition to revising corporate regulations accordingly.

F. Important contracts: nil

VI. Financial status

A. Brief balance sheet, comprehensive income statement, names of certified public accountants, and auditing opinions in recent five years

(A) Brief balance sheet and comprehensive income statement of consolidated financial report

1. Brief balance sheet of consolidated financial report

Unit: NT\$1,000

Year Item		Financial data in recent five years					Financial data of current as of March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021 (Note 1)	
Current assets		23,982,143	23,771,559	17,512,757	15,579,258	17,693,888	18,692,054
Property, plant, and equipment		17,022,278	18,770,958	12,698,739	12,322,002	11,541,908	11,587,338
Intangible assets		-	-	-	-	-	-
Other assets		53,698,614	50,483,976	50,550,377	51,560,798	52,106,392	51,943,025
Total assets		94,703,035	93,026,493	80,761,873	79,462,058	81,342,188	82,222,417
Current liabilities	Before distribution	9,413,895	9,191,230	8,482,750	7,666,097	7,905,048	8,395,776
	After distribution (note 2)	12,614,758	12,729,026	12,694,412	9,350,762	9,589,713	8,395,776
Non-current liabilities		12,106,570	8,886,573	8,005,223	10,312,373	11,193,281	11,224,947
Total liabilities	Before distribution	21,520,465	18,057,803	16,537,973	17,978,470	19,098,329	19,620,723
	After distribution (note 2)	24,721,328	21,595,599	20,749,635	19,663,135	20,782,994	19,620,723
Equity attributable to owners of the parent		69,379,395	68,913,204	64,219,249	61,483,588	62,243,859	62,601,694
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital surplus		274,343	1,268,860	1,289,642	1,297,081	1,301,769	1,304,027
Retained earnings	Before distribution	14,752,410	19,525,220	21,091,868	19,003,712	19,336,630	19,893,628
	After distribution (note 2)	11,551,547	15,987,424	16,880,206	17,319,047	17,651,965	19,893,628
Other equity interest		37,525,951	31,291,978	25,010,157	24,355,213	24,777,878	24,576,457
Treasury stocks		(19,935)	(19,500)	(19,064)	(19,064)	(19,064)	(19,064)
Non-controlling interest		3,803,175	6,055,486	4,651	-	-	-
Total equity	Before distribution	73,182,570	74,968,690	64,223,900	61,483,588	62,243,859	62,601,694
	After distribution (note 2)	69,981,707	71,430,894	60,012,238	59,798,923	60,559,194	62,601,694

Note 1: The financial information for 2021 was verified by the accountant, and the financial information for the first quarter of 2022 was verified by the accountant.

Note 2: The post-allocation data for 2021 is estimated based on the surplus distribution plan approved by the board of directors on March 9, 2022.

2. Comprehensive income statement of consolidated financial report

Unit: NT\$1,000

Item	Year	Financial data in recent five years					Financial data of current as of March 31, 2022 (Note 1)
		2017	2018	2019	2020 (note 2, 3)	2021 (note 1)	
Sales revenue		40,705,664	35,759,528	36,647,721	28,783,492	32,799,007	8,913,782
Net operating margin		5,138,771	3,546,752	3,721,319	3,012,827	4,173,570	1,025,297
Operating profit		2,461,490	884,133	1,066,098	576,346	1,550,167	366,761
Non-operating income and expenses		2,814,994	3,645,274	4,096,075	1,686,216	837,188	289,060
Profit before income tax		5,276,484	4,529,407	5,162,173	2,262,562	2,387,355	655,821
Profit for the year from continuing operations		4,760,016	3,900,407	4,625,213	2,095,790	2,143,167	557,205
(Loss) profit from discontinued operations		-	1,420,293	1,204,254	(484)	-	-
Profit for the year		4,760,016	5,320,700	5,829,467	2,095,306	2,143,167	557,205
Other Comprehensive income (Income after tax)		971,444	(3,151,652)	(6,364,452)	(626,986)	297,081	(201,628)
Total comprehensive income (loss) for the year		5,731,460	2,169,048	(534,985)	1,468,320	2,440,248	355,577
Profit (loss) attributable to owners of the parent		4,279,871	4,737,406	5,188,729	2,095,548	2,143,167	557,205
Profit (loss) attributable to non-controlling interest		480,145	583,294	640,738	(242)	-	-
Comprehensive income (loss) attributable to owners of the parent		5,148,811	1,730,196	(1,175,723)	1,468,562	2,440,248	355,577
Comprehensive income (loss) attributable to non-controlling interest		582,649	438,852	640,738	(242)	-	-
Earnings per share (NT\$)		2.54	2.82	3.08	1.25	1.27	0.33

Note 1. The financial information for 2021 was verified by the accountant, and the financial information for the first quarter of 2022 was verified by the accountant.

- The company passed a resolution of the board of directors on December 13, 2019 to approve the 16% equity of Formosa Advanced Technologies Co., Ltd, and completed the equity transfer procedure on December 16, 2019. After the disposal, the group's shareholding ratio was 30.68% and There is no substantial control, so the consolidated turnover and profit amount are re-expressed according to the regulations.
- At the meeting of the board of directors on 17th Oct, 2019, it was approved to sell the Schoeller F.T.C. (Hong Kong) Co., Ltd. to Schoeller Textil AG; the transfer was completed on 9th April, 2020. Therefore, the consolidated revenue and profits were restated.

(B) Brief balance sheet and comprehensive income statement of individual financial report

1. Brief balance sheet of individual financial report

Unit: NT\$1,000

Year		Financial data in recent five years				
		2017	2018	2019	2020	2021 (note 1)
Item						
Current assets		10,750,378	11,099,040	11,138,323	9,783,820	11,057,686
Property, plant, and equipment		7,432,389	6,785,900	6,478,848	6,339,354	6,054,424
Intangible assets		-	-	-	-	-
Other assets		67,321,393	62,614,563	57,763,020	58,678,588	59,587,887
Total assets		85,504,160	80,499,503	75,380,191	74,801,762	76,699,997
Current liabilities	Before distribution	4,408,906	2,953,605	3,245,897	3,073,268	3,332,225
	After distribution (note 2)	7,609,769	6,491,401	7,457,559	4,757,933	5,016,890
Non-current liabilities		11,715,859	8,632,694	7,915,045	10,244,906	11,123,913
Total liabilities	Before distribution	16,124,765	11,586,299	11,160,942	13,318,174	14,456,138
	After distribution (note 2)	19,325,628	15,124,095	15,372,604	15,002,839	16,140,803
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital surplus		274,323	1,268,860	1,289,642	1,297,081	1,301,769
Retained earnings	Before distribution	14,752,410	19,525,220	21,091,868	19,003,712	19,336,630
	After distribution (note 2)	11,551,547	15,987,424	16,880,206	17,319,047	17,651,965
Other equity interest		37,525,951	31,291,978	25,010,157	24,355,213	24,777,878
Treasury stocks		(19,935)	(19,500)	(19,064)	(19,064)	(19,064)
Total equity	Before distribution	69,379,395	68,913,204	64,219,249	61,483,588	62,243,859
	After distribution (note 2)	66,178,532	65,375,408	60,007,587	59,798,923	60,559,194

Note 1: The financial information for 2021 was verified by the accountant.

Note 2: The post-allocation data for 2021 is estimated based on the surplus distribution plan approved by the board of directors on March 9, 2022.

2. Comprehensive income statement of individual financial report

Unit: NT\$1,000

Year Item	Financial data in recent five years				
	2017	2018	2019	2020	2021 (note 1)
Sales revenue	25,713,839	27,593,484	27,468,794	21,524,891	24,490,081
Net operating margin	2,498,379	2,150,618	2,212,089	2,104,229	2,849,599
Operating profit	604,472	223,793	280,100	243,559	865,618
Non-operating income and expenses	3,878,948	5,031,969	5,313,287	1,946,664	1,400,575
Profit before income tax	4,483,420	5,255,762	5,593,387	2,190,223	2,266,193
Profit for the year from continuing operations	4,279,871	4,737,406	5,188,729	2,095,548	2,143,167
(Loss) profit from discontinued operations	-	-	-	-	-
Profit for the year	4,279,871	4,737,406	5,188,729	2,095,548	2,143,167
Other Comprehensive income (Income after tax)	868,940	(3,007,210)	(6,364,452)	(626,986)	297,081
Total comprehensive income (loss) for the year	5,148,811	1,730,196	(1,175,723)	1,468,562	2,440,248
Earnings per share (NT\$)	2.54	2.82	3.08	1.25	1.27

Note 1: The financial information for 2021 was verified by the accountant.

(C) Names of certified public accountants and auditing opinions

Year	CPA for certification	Auditing opinion
2017	Chou Chien-hung, Juan Lu Man-yu	Without reservation opinions
2018	Wu Han-chi, Chou Chien-hung	Without reservation opinions
2019	Wu Han-chi, Chou Chien-hung	Without reservation opinions
2020	Wu Han-chi, Liang Hua-ling	Without reservation opinions
2021	Wu Han-chi, Liang Hua-ling	Without reservation opinions

Note: 1. In line with change in the organization and job positions of PwC, CPA Chou Chien-hung has been replaced by CPA Liang Hua-ling for the certification for the company's financial statements since Q1, 2020.

B. Analysis of finance in recent five years

(A) Analysis of consolidated financial report

Unit: NT\$1,000

Year		Financial data in recent five years					Current year as of March 31, 2022 (note 1)
		2017	2018	2019	2020	2021 (note 1)	
Analysis items (note 2)							
Financial structure	Liabilities to assets ratio (%)	22.72	19.41	20.48	22.63	23.48	23.86
	Long-term fund to property, plant, and equipment ratio (%)	501.04	446.62	569.18	582.66	636.27	637.13
Debt repayment ability	Current ratio	254.75	258.63	206.45	203.22	223.83	222.64
	Quick ratio (%)	159.45	158.90	103.10	108.47	116.52	114.79
	Times interest earned	27.14	21.13	23.54	14.49	16.22	19.23
Operating performance	Average collection turnover (times)	8.25	6.89	8.30	8.61	9.17	8.85
	Average collection days	44.24	52.97	43.97	42.39	39.8	41.24
	Average turnover (times)	4.36	3.75	3.92	3.45	3.88	3.87
	Average payable turnover (times)	11.38	10.87	11.89	10.44	11.64	12.28
	Average days of sales	83.71	97.33	93.11	105.79	94.07	94.31
	Turnover of property, plant, and equipment	2.42	2.00	2.33	2.30	2.75	3.08
	Total assets turnover (times)	0.44	0.38	0.42	0.36	0.41	0.44
Earnings power	Return on assets (%)	5.26	4.34	5.52	2.78	2.82	2.86
	Return on equity (%)	6.64	5.27	6.65	3.33	3.46	3.57
	Pretax net profit to paid-in capital ratio(%)	31.32	26.89	30.64	13.43	14.17	15.57
	Net profit rate (%)	11.69	10.91	12.62	7.28	6.53	6.25
	Earnings per share (NT\$)	2.54	2.82	3.08	1.25	1.27	1.32
Cash flow	Cash flow ratio (%)	67.30	60.57	79.59	55.03	30.78	(4.80)
	Cash flow adequacy ratio (%)	123.49	102.23	97.25	91.21	86.44	79.11
	Cash flow reinvestment ratio (%)	2.84	1.78	3.22	0.01	0.73	(0.39)
Leverage	Operating leverage	3.89	9.22	8.45	8.96	4.11	4.32
	Financial leverage	1.08	1.31	1.26	1.39	1.11	1.11

Note 1: The financial information for 2021 was verified by the accountant and the financial information for the first quarter of 2021 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis not necessary for changes less than 20%).

- Reasons for the change in cash flow ratio: Mainly due to dividend income in 2021 decreased by NT\$ 665,941 thousand compared with 2020 and the increase in the inventory of NT\$1,066,826 thousand.
- Reasons for the change in cash reinvestment ratio: Mainly due to the decrease in NT\$ 2,524,876 thousand of cash dividend loss in 2021.
- Reasons for the change in operating leverage: Mainly due to increase in operating profits of NT\$ 973,821 thousand in 2021 compared with 2020.
- Reasons for the change in financial leverage: Mainly due to increase in operating profits of NT\$ 973,821 thousand in 2021 compared with 2020.

(B) Analysis of individual financial report

Year		Financial data in recent five years				
		2017	2018	2019	2020	2021 (Note 1)
Analysis item						
Financial structure	Liabilities to assets ratio (%)	18.86	14.39	14.81	17.80	18.85
	Long-term fund to property, plant, and equipment ratio (%)	1091.11	1142.75	1113.38	1131.48	1211.8
Debt repayment ability	Current ratio (%)	243.83	375.78	343.15	318.35	331.84
	Quick ratio (%)	127.86	206.97	197.01	189.65	195.42
	Times interest earned	38.16	50.51	69.88	29.95	28.77
Operating performance	Average collection turnover (times)	11.34	11.66	12.24	10.7	11.39
	Average collection days	32.19	31.30	29.82	34.11	32.05
	Inventory turnover (times)	4.98	5.16	5.29	4.58	5.26
	Average payable turnover (times)	10.57	12.62	13.39	11.58	13.08
	Average days of sales	73.29	70.74	69.00	79.69	69.39
	Turnover of property, plant, and equipment	3.46	4.07	4.24	3.40	4.04
	Total assets turnover (times)	0.30	0.34	0.36	0.29	0.32
Earnings power	Return on assets (%)	5.19	5.81	6.74	2.87	2.91
	Return on equity (%)	6.29	6.85	7.79	3.33	3.46
	Pretax net profit to paid-in capital ratio (%)	26.61	31.20	33.20	13.00	13.45
	Net profit rate (%)	16.64	17.17	18.89	9.74	8.75
	Earnings per share (NT\$)	2.54	2.82	3.08	1.25	1.27
Cash flow	Cash flow ratio (%)	85.22	135.38	126.39	90.01	67.14
	Cash flow adequacy ratio (%)	103.31	100.92	96.19	89.24	90.81
	Cash flow reinvestment ratio (%)	1.22	0.81	0.61	(1.56)	0.58
Leverage	Operating leverage	10.06	25.26	20.51	22.2	4.93
	Financial leverage	1.24	1.86	1.39	1.43	1.11

Notes 1: The financial information for 2021 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis not necessary for changes less than 20%).

1. Reasons for the change in cash flow ratio: Mainly due to decrease in dividend income of NT\$598,026 thousand in 2021.
2. Reasons for the change in cash reinvestment ratio: Mainly due to the decrease in NT\$ 2,527,300 thousand of cash dividend loss in 2021 compared with 2020.
3. Reasons for the change in operating leverage: Mainly due to increase in operating profit of NT\$ 622,059 thousand in 2021 compared with 2020.
4. Reasons for the change in financial leverage: Mainly due to increase in operating profit of NT\$ 622,059 thousand in 2021 compared with 2020.

Note 3: Calculation formulas for various financial ratio follow:

1. Financial structure

(1) liabilities to assets ratio = total liabilities/total assets

(2) Long-term fund to property, plant, and equipment ration = (shareholders' equity + non-current liabilities)/net value of plant, plant, and equipment.

2. Debt-repayment ability

- (1) Current ratio = Current assets/current liabilities
 - (2) Quick ratio = (Current assets - inventories - prepaid expenses)/current liabilities
 - (3) Times interest earned = Earnings before interest and taxes/interest expenses
3. Operating performance
- (1) Average Collection Turnover = Net Sales / Average Trade Receivables
 - (2) Days Sales Outstanding = 365 / Average Collection Turnover
 - (3) Average Inventory Turnover = Cost of Sales / Average Inventory
 - (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
 - (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
 - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
 - (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Earnings power
- (1) Return on Total Assets = (Net Income + Interest Expenses (1 - Effective Tax Rate))/ Average Total Assets
 - (2) Return on Equity = After-tax income/average total equity
 - (3) Ratio of income before tax to paid-in capital = Profit Before Tax to Capital Stock/ paid-in capital
 - (4) Net Margin = Net Income / Net Sales
 - (5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (note 4)
5. Cash Flow
- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend)
 - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (note 5)
6. Leverage
- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (note 6)
 - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: When evaluating the aforementioned calculation formula for earnings per share, give special notices for the following items:

1. It should be based on weighted average number of common shares, rather than the number of shares in circulation at the end of the year.
2. If there is cash increment or trading in treasury stocks, calculate weighted average number of shares during the circulation period.]
3. If there is capital increment with earnings or capital reserve, retroactive adjustments should be made according to the scale of capital increment in calculating the earnings per share of past year and half a year, without the need of taking into account the issuance period of the capital increment.
4. If special shares are accumulated inconvertible special shares, their share dividends for the current year (no matter issuance or not) should be deducted from after-tax net profit or be increased to after-tax net loss. If special shares are not accumulated ones, dividends for special shares should be deducted from after-tax net profit, if any; in the case of loss, it

doesn't need adjustment.

Note 5: When evaluating cash flow, give special notices to the following items:

1. Net cash flow of operating activities refer to net operating inflow in cash flow table.
2. Capital outlay refers to cash outflow for annual capital investments.
3. Inventory increase is taken into account, only when initial balance is larger than ending balance; if inventory decreases at the end of year, it is calculated as zero.
4. Cash dividend includes cash dividends for common shares and special shares.
5. Gross property, plant, and equipment refers total value of property, plant, and equipment before depreciation.

Note 6: Issuers should classify operation cost and operating expenses into fixed and variable ones and notices its reasonable and consistent nature, if estimate or subjective judgment is involved.

Note 7: If company stock has no face value or has a face value other than NT\$10, use the share of parent company's equity ownership in balance sheet in the calculation of the share in paid-in capital.

C. The Audit Committee's Review Report of the financial report for the latest year

**FORMOSA TAFFETA CO., LTD.
The Audit Committee's Review Report**

The Company's 2021 Business Report, Financial Statements, including Consolidated and Parent Company Only ones, and Earnings Distribution Proposal have been prepared by the Board of Directors. An audit of the Financial Statements was conducted by the CPAs of PricewaterhouseCoopers Taiwan (PwC), and the audit reports were issued by PwC. The Audit Committee members of Formosa Taffeta Co., Ltd. reviewed the Business Report, Financial Statements, and Earnings Distribution Proposal and determined the information to be correct and accurate. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Taffeta Co., Ltd. Chairman
of the Audit Committee:

Lin, Sheng-Chung

March 9, 2022

- D. Consolidated financial report of parent company and subsidiaries of the recent year audited and certified by certified accountant (for details refer to page 190-285)**
- E. Individual financial report of the recent year audited and certified by certified accountant(for details refer to page 286 - 369)**
- F. Effect of financial problem, if any, of the company and affiliates on the company's financial status in the recent year and the current year as of the date of the publication of the annual report: nil**

VII Financial status, review and analysis of management performance, and risk items

A. Review and analysis of financial status--consolidated financial report

Unit: NT\$1,000

Item \ Year	2021	2020	Difference		
			Amount	%	Explanation
Current assets	17,693,888	15,579,258	2,114,630	13.57	-
Non-current assets	63,648,300	63,882,800	-234,500	-0.37	-
Total assets	81,342,188	79,462,058	1,880,130	2.37	-
Current liabilities	7,905,048	7,666,097	238,951	3.12	-
Non-current liabilities	11,193,281	10,312,373	880,908	8.54	-
Total liabilities	19,098,329	17,978,470	1,119,859	6.23	-
Share capital	16,846,646	16,846,646	-	-	-
capital surplus	1,301,769	1,297,081	4,688	0.36	-
Retained earnings	19,336,630	19,003,712	332,918	1.75	-
Other equity interest	24,777,878	24,355,213	422,665	1.74	-
Treasury stocks	(19,064)	(19,064)	-	-	-
Equity attributable to owners of the parent	62,243,859	61,483,588	760,271	1.24	-
Non-controlling interest	-	-	-	-	-
Total equity	62,243,859	61,483,588	760,271	1.24	
Explanation: NIL					

B. Review and analysis of management performance

(A)Comparative analysis of management performance--consolidated financial report

Unit: NT\$1,000

Item \ Year	2021	2020	Increase (decrease)	Change (%)
Sales revenue	32,799,007	28,783,492	4,015,215	13.95
Net operating margin	4,173,570	3,012,827	1,160,743	38.53
Operating expenses	2,623,403	2,436,481	186,922	7.67
Operating profit	1,550,167	576,346	973,821	168.96
Non-operating income and expenses	837,188	1,686,216	(849,028)	(50.35)
Profit before income tax	2,387,355	2,262,562	124,793	5.52
Profit for the year from continuing operations	2,143,167	2,095,790	47,377	2.26
(Loss) profit from discontinued operations	-	(484)	484	100.00
Other current comprehensive income (loss)	297,081	(626,986)	924,067	147.38
Total comprehensive income (loss) for the year		1,468,320	971,928	66.19

Explanation for analysis of change in share:

1. Net operating margin in 2021 increased by NT\$1,160,743 thousand compared to 2020: Mainly due to the increase in NT\$ 4,015,215 thousand of sales revenue and the advantageous sale quantity.
2. Operating profit in 2021 increased by NT\$ 973, 821thousand compared to 2020:Mainly due to the increase in net operating margin of NT\$1,160,743 thousand.
3. Non-operating income and expenses in 2021 decreased by NT\$ 849,028 thousand compared to 2020: Mainly due to the decrease in dividend income.
4. (Loss) profit from discontinued operations in 2021 decreased by NT\$ 484 thousand compared to 2020: Mainly due to no discontinued operations in 2021.
5. Other comprehensive income in 2021 increased by NT\$924,067 thousand compared to 2020: Mainly due to the increase in unrealized gain or loss on valuation of financial assets at fair value through other comprehensive income of NT\$1,095,187 thousand, the increase in share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method of NT\$81,415 thousand, and the decrease in actuarial gains (losses) on defined benefit plans of NT\$246,264 thousand.
6. Total comprehensive income (loss) for the year increased by NT\$971,928 thousand compared to 2020: Mainly due to the increase in profit for the year of NT\$47,861 thousand, the increase in unrealized gain or loss on valuation of financial assets at fair value through other comprehensive income of NT\$1,095,187 thousand, the increase in share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method of NT\$81,415 thousand, and the decrease in actuarial gains (losses) on defined benefit plans of NT\$246,264 thousand.

(B)Analysis of change in operating gross profit: N/A

C. Review and analysis of cash flow--consolidated financial report

Unit: NT\$1,000

Cash balance beginning of year	Net cash flow from Operating in the year	Cash outflow in the year	Cash balance (shortfall)	Remedy for cash shortfall	
				Investment plan	Financing plan
3,083,322	2,433,092	2,045,273	3,471,141	-	-

1. Analysis of cash flow in the year:

- (1) Business activities: Net cash inflow from operating activities in the current year reached to NT\$ 2.433 billion, mainly due to NT\$ 3.122 billion from operating benefits (excluding depreciation and investment benefits recognized by the equity method), increased in payable (inflow) NT \$ 0.432 billion, increase in inventory (inflow) NT \$ 1.067 billion.
- (2) Investment activities: Net cash outflows from investment activities in the current year amounted to NT \$ 0.69 billion, mainly due to purchases of real estate, plant and equipment prices (outflow) of NT \$ 0.47 billion, and increase in other non-current assets (outflow) of NT \$ 1.74 billion.
- (3) Fund-raising activities: Net cash outflow from fund-raising activities during the year was NT \$ 1.334 billion, mainly due to the repayment of long-term loans (outflow) of NT \$ 9.499 billion, cash dividend payments (outflow) of NT \$ 1.685 billion, and lease principal repayment (outflow) NT \$ 153 million, short-term borrowing decreased (outflow) NT \$ 99 million, Short-term notes and bills payable increased (inflow) NT \$ 0.2 billion and long-term borrowing (inflow) NT \$10.3 billion.

2. Remedy for cash shortfall and liquidity analysis: NA.

3. Analysis of cash flow in the coming one year

Unit: NT\$1,000

Cash balance beginning of year (1)	Expected Net cash flow from Operating in the year (2)	Expected cash outflow in the year (3)	Expected cash balance (shortfall) (1)+(2)-(3)	Remedy for expected cash shortfall	
				Investment plan	Financing plan
3,471,141	2,919,710	2,503,173	3,887,678	-	-

D. Influence of major capital outlays in the recent year on finance and business

(A) Status of major capital outlays and funding sources

Unit: NT\$1,000

Projects	Actual or planned source of capital	Actual or planned date of completion	Total capital in need	Actual or anticipated fund utilization							
				2021	2022	2023	2024	2025	2026	2027	2028
Replacement of old machines with new ones setup of new gas stations equipment from 2021	Cash and income generated from the company's operation, with the remainder from banking loans	2022.12.31	234,723	223,109	11,614	-	-	-	-	-	-
Replacement of old machines with new ones and setup of new gas stations equipment from 2022	Cash and income generated from the company's operation, with the remainder from banking loans	2023.12.31	234,723	-	249,773	32,652	-	-	-	-	-

(B) Anticipated benefits

Anticipated contribution to production and sales volume and value, as well as gross profit

NT\$1,000

Year	Item	Production volume	Sales volume	Amount of Sales	Gross profit
2022	Anti-puncture Fabric	237.6 tons	-	3,306	664
	Soft tire tooth wear	15.1 tons	-	34,560	12,180
	3K Carbon fiber cloth and 12 KUD prepreg	652,080 meters	-	113,462	9,781
	Filament/Spun Compositied Yarn	218 tons	-	87,600	21,600
	Sales of gasoline	The gas station delivered 3,720 kiloliter	-	86,697	8,191
2023	Anti-puncture Fabric	300 tons		15,624	5,214
	3K Carbon fiber cloth and 12K reinforced material	447,036 meters		144,392	5,776
	12 KUD prepreg	616,512 meters		143,647	5,746
	Filament/Spun Compositied Yarn	218 tons		87,600	15,600
	Sales of gasoline	The gas station delivered 2,693 kiloliter		64,112	4,797

E. Reinvestment policy, major reasons for profit or loss, improvement plan, and investment plan in the coming year:

For information on businesses invested by the Company, refer to history of the Company specified in the Report as well as financial statements. The followings are the main items of these three years:

1. Established in 1973, the company has expanded the plants and bought equipment. Since operating in 1975, the company keeps earning profits. The annual financial report, covering all subsidiaries, has not shown the deficit for past four decades, and the variances depends on net operating profit.
2. Due to the disposal of some idle land, dismissal of FTC America Corp, transfer of all shares of Schoeller F.T.C. (Hong Kong) Co., Ltd., Formosa Taffeta (Cayman) Co., Ltd., and transfer some shares of Formosa Advanced Technologies Co., Ltd., the total assets of consolidate financial report of 2021 was NT\$ 81.342 billion, a decrease of 14.11%, compared with 94.703 billion in 2017.
3. Participating in the issuance of common stock for cash for Schoeller Textil AG of CHF 39.58 million, the Company invested (exchange rate 1: 32.4787) in March, 2020, holding 50% of shares. It is a milestone for the Company to move forward to the high-tech textile industry.
4. In response to the needs of brand customers and pursuing the sustainability, the company has been investing in equipment remodeling and process improvement to boost labor productivity and product value. Formosa Taffeta Vietnam Co., Ltd. expanded its production capacity of dyed and finished fabrics of 12 million yards/year in 2018 and 2019, totaling 24 million yards/year. Formosa Taffeta Dongnai Co., Ltd. purchased the dyeing and finishing machine and equipment and boost its capacity of dyed and finished fabrics.
5. In terms of water treatment, the company strives to reduce water consumption of per product produced. The company has invested in equipment to divert rain and sewage to implement water control comprehensively. Following the goal of reducing total water consumption by 20% in the end of 2018 compared with 2017; in 2019, the company invested NT\$ 118 million in ultrafiltration reverse osmosis system, and the amount of recycling water was 2,976,441 tons, an increase of 30.1%, compared with that of 2018. The amount of recycling water of 2020 was 2,976,441 tons, a decrease of 1.83%, compared with 2019. The amount of recycling water for 2021 was 3,404,606 tons, an increase of 14.4% compared with 2020.
6. In terms of air pollutants control, the Company invested NT\$19.5 million in RTO device between 2016 and 2018, allowing the processing efficacy of volatile organic compounds to reach to 90%, NT\$8.4 million in two sets of cogeneration systems and purchased SCR device to reduce nitrogen oxides. The fuel of #6 dip-dryer at second plant in Taiwan was replaced with natural gas to lower the sulfur oxides. To transform the heating system of the machine, 2,170 meters of underground gas pipelines were buried in October, 2019. The pipelines were extended to the gas flow meter station outside the plant. In February 2020, the device was in operation as an environmental investment.
7. Formosa Taffeta Vietnam Co., Ltd. established and operated solar power generation system in Sep., 2019, and the set-up of phase two of solar power generation system was completed in Dec., 2021. The amount of power generated from solar power system was 1,450,327 KWH, accounting for 3.47% of the plant's electricity production. In 2020, Formosa Taffeta Co., Ltd. established 2,600 KW solar power

generation system, which was completed in Jan., 2022.

8. The CSR Committee was reshuffled and renamed as Sustainability Committee in January, 2022 to keep carrying out environmental investment on remodeling the machine, energy saving and carbon reduction. In 2022, the Company continues to install solar power equipment and conduct the GHG inventory verified by the third party.

In sum, in response to the needs of famous branded customers, both in Taiwan and abroad, and market demands, the company has been offering all-round service, via integration of supply chain spanning upstream, midstream, and downstream sectors, enhancing the magnitude of new product development, pushing new production mode featuring energy conservation and carbon abatement, water conservation, regeneration, and recycling, employment of non-toxic chemicals, environment friendliness, and creation of high-quality environment-friendly products, so as to meet customer need and environmental need at the same time.

F. Risk items

- (A)Influence of changes in interest rate and exchange rate and inflation on the company's profit and future countermeasures:

1.Interest rate:

In terms of long-term liabilities under floating interest rate basis (corporate bond included), the Company will carefully assess financial market conditions and consider the implementation of interest rate swap when the interest rate is relatively low to avoid interest rate fluctuation risks. The company strives to make sure the undertaking interest rate is below the estimated cost of capital of investment plans.

2.Change of exchange rate:

Insufficient foreign exchange funds in daily operations are addressed by making spot or forward foreign exchange purchases when the exchange rate is favorable. Long-term foreign exchange liabilities are addressed by implementing long-term forward foreign exchange contracts or exchange-for-exchange contracts when the exchange rate is relatively low to minimize the impact of exchange rates on profitability.

3.Inflation

According to Directorate of Budget, Accounting, and Statistics, Executive Yuan, the annual growth rate of consumer prices in 2021 was 1.96%, and the annual growth rate of core consumer prices was 1.33%. The inflation risk was low and had no significant influence on the Company's profitability.

- (B)Policy for engagement in high-risk, high-leverage investments, loan extension, endorsement and guarantee, and derivatives, major reasons for profit or loss, and countermeasures in the future:

1.High-risk, high-leveraged investments:

The company engages mainly in textile, gas stations, which are mature and stable industries, with low risk. With stable business management and sound finance, the company shuns high-leverage investments.

2.Loan extension

Proposal for loan extensions by the company must be passed by the board of directors and approved by shareholders' meeting, according to "measures for extension of loans to others." Up to now, the company has not extended any loan to others. In the future, loans will be only extended to affiliates for fund maneuvering and in compliance with "measures for extension of loans to others."

3.Endorsement:

The company's operating procedure for provision of endorsement and guarantee is based on "operating procedure for endorsement and guarantee," which has been approved by the board of directors and agreed by shareholders' meeting. In principle, endorsement and guarantee are extended only to parent company, subsidiaries, affiliates with business linkage, or joint ventures at an extent proportionate to the share of the company's contribution. The company has never incurred loss from endorsement and guarantee, mainly on loans, due to sound finance and stable business of affiliates.

4.Derivative Product Transactions:

The company's engagement in trading in derivatives is for hedging market risks caused by fluctuation of exchange rates and interest rates, instead of arbitrage and speculation. Such trading is carried out according to the company's "procedure for engagement in trading in derivatives," as well as related domestic laws and regulations and IFRS (International Financial Reporting Standards).

(C)Future R&D plan and expected R&D expenses (2022)

R&D items and new R&D equipment	Expected input for R&D (NT\$1,000)
1.Recycled PET WPB membrane commercialization	15,000
2.aerobrane™ outerwear/urban waterproof breathable fabrics is commercialized and order received.	10,000
3.Seawaste recycled yarn for casual, sports and waterproof breathable fabrics development.	10,000
4.Bio PA 410, Bio PA11 and Bio PET fabrics are commercialised	15,000
5.Scrap recycled PET fabrics is commercialised	15,000
6.Ocean recycled PET fabrics is commercialized and order received.	20,000
7.Off gas recycled Bio-Based PET fabrics is commercialized.	10,000
8.Lightweight recycled fishing net fabrics /downproof fabrics commercialised.	15,000
9.Cordura eco recycled anti-abrasion fabrics is commercialised.	10,000
10.Bio PU (castor oil) coating fabrics commercialized.	10,000
11.Recycled spandex stretch yarn + 100% recycled nylon fabrics development.	10,000

R&D items and new R&D equipment	Expected input for R&D (NT\$1,000)
12.Taiwan textile federation collaboration	6,000
13.Hybrid tire cord development	10,000
14.Carbon fiber bead ring development	10,000
Total	166,000

(D) Risk Impact and Mitigation Efforts Associated with Changes in the Government Policies and Regulatory Environment:

The Company closely monitors all domestic and foreign governmental policies and regulations that might impact the Company's business and financial operations and arranges personnel to receive professional training as needed. During the period of 2021 to February 28, 2022, the following changes or developments in governmental policies and regulations may influence the Company's business and financial operations:

On July 12, 2021, the Ministry of Economic Affairs ordered Ministerial Order No. 11004602750 to amend the "Administrative Regulations Governing the Use, Supervision and Management of the Deemed Net Profit of Electricity Generation Suppliers", mainly in response to the development trend of renewable energy and consideration of the actual needs of the power generation industry, at the same time expand the application scope of the power generation industry to allocate net profits to invest in the development of renewable energy. This includes the installation of energy storage equipment and investment or acquisition of domestic renewable energy self-use power generation equipment, which are included in the power generation industry to provide net profit. This amendment has no significant impact on the company.

On October 21, 2021, the Environmental Protection Administration of the Executive Yuan issued an advance notice of the amendment to the "Climate Change Response Law". The key points of the amendment include the incorporation of the 2050 net zero emission target, strengthening emission control and incentive mechanisms to promote carbon reduction, levying special carbon fees, and strengthening carbon footprints management mechanisms and product labeling. Our company will continue to monitor the progress and cooperate with the amendment.

- (E) Influence of technological and industrial changes on the company's finance and business and countermeasures: There is no technological changes with major influence on the company, since the company belongs to an industry with mature technology.
- (F) Influence of change in corporate image on corporate crisis management and countermeasures: Adhering to the management concept of "diligence and down-to-earth style, quest for perfection, sustainable development, and contribution to society," the company has established a good corporate image and will insist on the concept for further progress, in order to make even bigger contribution to the society.

- (G) Expected benefits from acquisition, possible risk, and countermeasures: nil.
- (H) Expected benefits from factory expansion, possible risk, and countermeasures: Evaluation shows that there is no major risk for factory expansion.
- (I) Risk for concentration of purchase or sale and countermeasures:
1. Purchase: The company's major raw materials, including tire-cord filament, PU filament, and polyester filament are mainly supplied by affiliates Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corp. in abundant volume, without any risk of shortage.
 2. Sales: In 2021, the ratio between domestic sale and export of the company was 45.41% and 54.59%. Major exported products are long- and short-fiber fabric, tire cord, and PE bag, shipped mainly to contracted customers in Southeast Asia, Hong Kong, China, India, Japan, and South Korea, while major products for domestic sales are long- and short-fiber fabric, tire cord, special fabric, and oil products. Given diversification in markets and customers, related risk is low.
- (J) Influence and risk of massive share transfer by directors, supervisors, and major shareholders with over 10% shareholding and countermeasures: nil.
- (K) Influence and risk of change in management right and countermeasures: nil.
- (L) List major litigations, non-contentious cases, administrative litigations, including those with settled ruling or still in progress, involving the company and the company's directors, supervisors, president, actual responsible person, major shareholders with over 10% shareholding, and subordinated companies, whose outcomes may have major influence on shareholders' equity or security prices. Disclose the facts of the contentions, values of targets, starting dates of litigations, major parties involved, and status of handling as of the date of the publication of the annual report:
1. 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.
 2. 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.
3. 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.
 4. 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.
 5. 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, I Chin Young and Loomtech Industries Incorporation to make false statement. TBB was misled with the fact that New Site, New Brite, I Chin Young and Loomtech Industries Incorporation 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 May 11, 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.

(M) Other major risks and countermeasures: Information Security Risk Assessment

1. In order to assure the safety and stability of information safety, prevent abnormality and disaster of information systems and damage of computer information files, and strengthen protection of personal data, the company has set up related management measures and handling guidelines, plus multi-layer control and protection mechanisms, so as to effectively manage risks of corporate information systems and uphold continuing operation of the company. In order assure safety of information utilization and establish a reliable environment for information usage, the company has embraced the following information-safety policy:

- (1) The structure of the information security management: The Company assigns management level executives as information security management representatives to supervise the implementation of the company's information security management businesses, and regularly hold cross-departmental information security promotion meetings to review the implementation and effectiveness of information security control measures, as well as coordinate and promote the businesses on security management. They need to cooperate with the information security management operations promoted by the Information Security Team of the Information Department, integrate the division of labor and the consistency of the execution of the information security business, and coordinate the scheduling and allocation of company resources.
- (2) Information security policy:
 - a. Comply with legal requirements and promote information security awareness.
 - b. Attach importance to risk management and protect data security.
 - c. All employees are required to participate and pursue continuous improvement.
- (3) Information Security Control Measures:
 - a. A multi-layered in-depth framework used to build firewalls, intrusion prevention systems (IPS), malicious URL filtering and advanced persistent threat defense (APT) are being adopted to prevent malicious attacks from external networks.
 - b. Set up employee Internet access, e-mail and personal information/sensitive data loss prevention mechanisms to prevent improper disclosure or leakage of personal and sensitive information, and prevent internal systems from being implanted with malicious programs.
 - c. Regularly require password changes and enable password complexity settings to strengthen authentication for system logins.
 - d. Install anti-virus software on the computer, update virus patterns and security patches in real time, establish security access policies, and control the connection and access of USB devices to strengthen endpoint detection and response capabilities.
 - e. Interpretation and analysis of system logs, real-time warning of abnormality, and emergency response to avoid increased threat and risks.

- f. The computer room and other information infrastructures are equipped with access control. Backup systems, uninterruptible power supply and fire protection facilities are regularly simulated and drilled to strengthen physical security.
- g. Conduct regular training and testing for employees annually to strengthen the employees' awareness of cyber security risks.
- h. Review security measures and regulations annually, pay attention to security issues and its developments, and draw up response plans to ensure its appropriateness and effectiveness.

(4) Information Security Education Training and Publicity Implementation in 2021:

- a. A total of 23 people in the company completed the MIS center's internal training course on "information security management principles."
- b. Employees are sent to attend the external training of internal control system on information circular.
- c. In 2021, seven promotions on information security were conducted, including how to prevent hacking attacks and the cases recently happened around the world.

(5) Resources invested in information security management:

- a. In 2022, an information security management unit with 3 professional information security personnel is planned to establish within MIS center.
- b. In 2022, a firewall and software have been set up, and a safe area for server operations has been planned and established.
- c. Plan and implement employee information security awareness and information security training courses for information professionals.

2. If the possible impact and countermeasures caused by a major information security incident cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated. The company has not had any major information security events in the most recent year and as of the date of publication of the annual report.

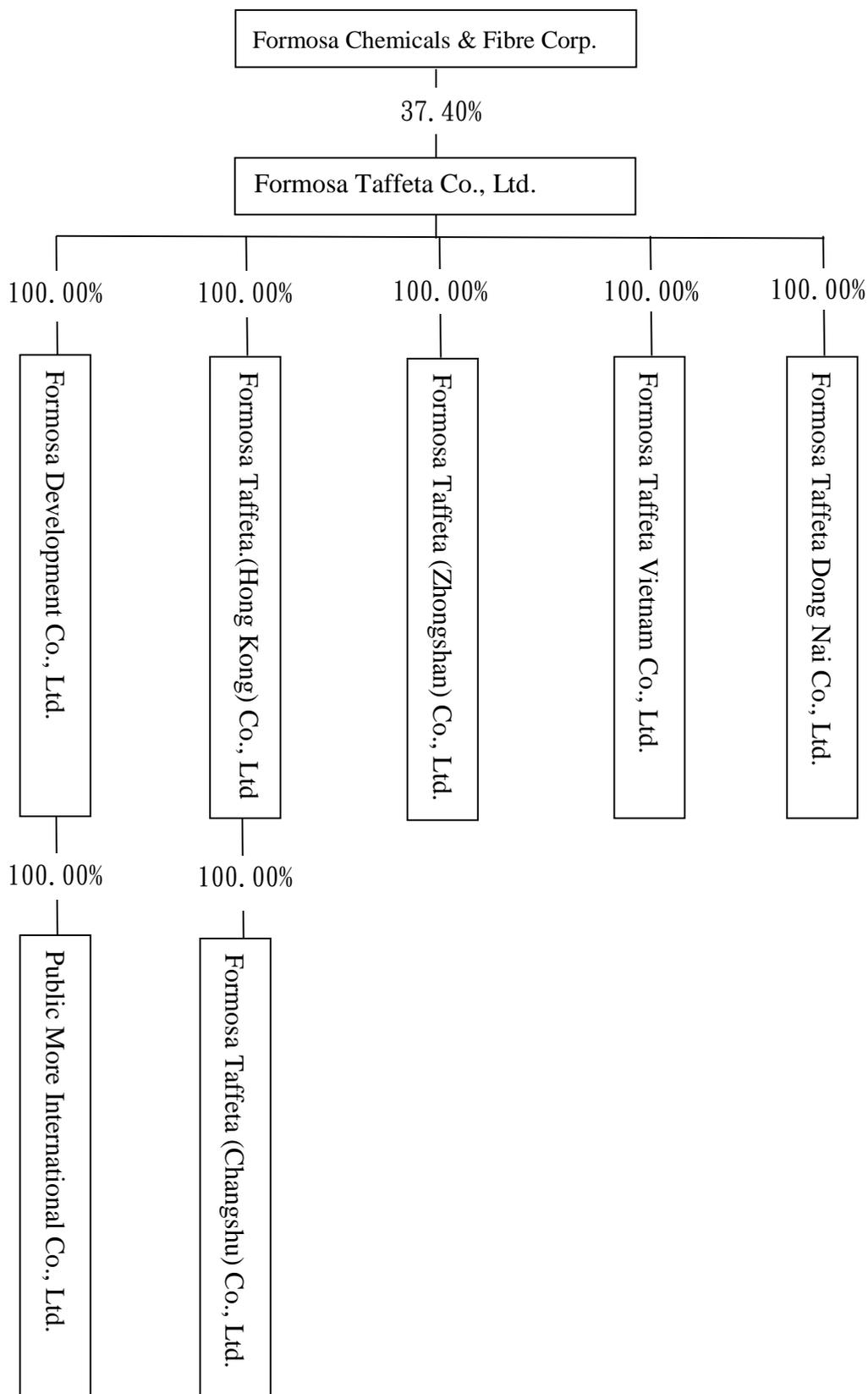
G. Other important items: nil.

VIII. Items with special registration

A. Data on affiliates

(A) Consolidated business report with affiliates

1. Organizational chart of affiliates



2.Basic data on affiliates

unit: NT\$1,000

Company name	Date of incorporation	Address (the address on corporate license)	Paid-in capital	Major business items
Formosa Development Co., Ltd.	1990.9.20	29, Lane 224, Shuliou RD., Touliou 640, Yunlin, Taiwan	161,000	Urban land consolidation and development and lease of residences, office buildings, and factories
Formosa Taffeta (Hong Kong) Co., Ltd.	1989.4.11	Room 1606, Tower 6, China Hong Kong City, 33 Canton RD., Tsimshatsui, Kowloon, Hong Kong	1,356,822	Sale of filament fabric and spun fabric
Formosa Taffeta (Zhong shan) Co., Ltd.	1992.12.3	167, S. Shenwan Avenue, Shenwan Town, Zhongshan City, Guangdong Province 528462, China	1,402,085	Chemical filament polyamine fabric, polyester fabric
Formosa Taffeta Vietnam Co., Ltd.	1999.6.16 Acquisition and reorganization	Sec.1, Nhut Chanh, Com, Ben Luc Dist., Long An Province, Vietnam	2,340,866	Production and processing of chemical-fiber fabric, dyeing and finishing, finished fabric
Formosa Taffeta Dong Nai Co., Ltd.	2004.6.25	Nhon Trach 3 Ind. Zone, Hiep Phuoc Town, Nhon Trach Dist., Dong Nai Province, Vietnam	2,590,434	Production, processing, and sale of various chemical-fiber fabrics, dyeing and finishing, and tire cord
Formosa Taffeta (Changshu) Co., Ltd.	2005.4.4	15, Peng-Hu RD., Dongnan Street, Changshu City, Jiangsu Province, 215500 CHINA	1,302,019	Engagement in dyeing and finishing of high-end fabric; lease of facilities; property management
Public more International Co., Ltd.	2017.2.15	27, Lane 224, Shuliou RD., Douliou 640, Yunlin, Taiwan	5,000	Employment service, temporary help service, manpower brokerage

3. Inferred as having a control-subordination relationship: omitted
4. Overview of businesses engaged by affiliates:
- (1) Formosa Development engages mainly in urban land consolidation.
 - (2) Formosa Taffeta (Hong Kong) Co., Ltd. engages in export and import of filament fabric and spun fabric.
 - (3) Formosa Taffeta (Zhongshan) Co., Ltd. engages in production and sale of polyurethane fabric and polyester fabric, plus weaving, dyeing, and finishing of high-end fabric.
 - (4) Formosa Taffeta Vietnam Co., Ltd. engages in the production and sale of chemical-fiber woven fabric and dyeing and finishing.
 - (5) Formosa Taffeta Dong Nai Co., Ltd. engages in production and sale of chemical-fiber woven fabric and tire cord, plus dyeing and finishing.
 - (6) Formosa Taffeta (Changshu) Co., Ltd. engages in dyeing and finishing of high-end fabric.
 - (7) Public more International Co., Ltd. engages in employment service, temporary help service, and manpower brokerage.
5. Names of the directors, supervisors, and presidents of affiliates and their shareholdings or contributions

Information on the directors, supervisors, and presidents of affiliate

Unit: share

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Development Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Tseng, Ching-pin (president)	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang, Hsien-tang	16,100,000	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	16,100,000	100.00%
Formosa Taffeta (Hong Kong) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
	President	Chen, Jui-mao	—	—

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Taffeta (Zhong Shan) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta Vietnam Co.,Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta Dong Nai Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%

Formosa Taffeta (Changshu) Co., Ltd.	Chairman	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Hong, Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lee, Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wu, Li-jen	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan	—	100.00%
	Supervisor	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Cheng, Hung-ning	—	100.00%
Public More International Company Ltd.	Director	Representative of Formosa Development Co., Ltd. : Tseng, Ching-pin	—	100.00%

Note 1: In case an affiliate is a foreign company, list persons with equivalent positions.

Note 2: In case an invested company is a company limited by shares, please specify the number of owned shares and percentage; for others, please specify contribution to paid-in capital and percentage, plus notes.

Note 3: in case directors or supervisors are institutional investors, information on their representatives should also be provided.

1. Director Wong, Wen-yuan is chairman of Formosa Taffeta Co., Ltd.
2. Director Hong, Fu-yuan is chairman of Formosa Chemicals & Fibre Corp.
3. Director Lee, Ming-chang is president of Formosa Taffeta Co., Ltd.
4. Director Tseng, Ching-pin is consultant of general management division of Formosa Taffeta Co., Ltd., and president of Formosa Development Co., Ltd.
5. Director Chang, Hsien-tang is deputy senior specialist of Formosa Development Co., Ltd
6. Director Lee, Chien-kuan is deputy vice president of first business segment of Formosa Taffeta Co., Ltd.
7. Director Wu, Li-jen is deputy assistant vice president of the first business segment of Formosa Taffeta Co., Ltd
8. Director Cheng, Hung-ning is assistant vice president of General Management Divisions (as well as acting vice president of General Management Divisions) of Formosa Taffeta Co., Ltd.
9. Director Chen, Jui-mao, the president of Formosa Taffeta (Hong Kong) Co., Ltd., is senior administrator of dyeing and finishing division of Formosa Taffeta Co., Ltd.

6. Operating status of affiliates

Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit/loss (after tax)	Earnings per share (NT\$) (after tax)
Formosa Development Co., Ltd.	161,000	330,154	72,760	257,394	53,238	-21,954	-12,652	(0.79)
Formosa Taffeta (Hong Kong) Co., Ltd.	1,356,822	1,716,479	513,548	1,202,931	1,374,534	29,107	26,029	
Formosa Taffeta (Zhongshan) Co., Ltd.	1,402,085	2,280,149	356,688	1,923,461	1,748,889	135,407	144,023	
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	3,000,026	903,930	2,096,096	2,353,435	84,291	37,801	
Formosa Taffeta Dong Nai Co., Ltd.	2,590,434	5,654,278	3,127,050	2,527,228	4,317,068	444,214	335,275	
Formosa Taffeta (Changshu) Co., Ltd.	1,302,019	1,601,246	509,925	1,091,320	1,365,342	28,156	24,149	
Public More International Company Ltd.	5,000	19,389	5,336	14,053	38,678	7,214	5,797	

Declaration

The entities that are required to be included in the combined financial statements of Formosa Taffeta Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Formosa Taffeta Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Formosa Taffeta Co. Ltd. & Subsidiary

Responsible person: Wong Wen-yuan

March 9, 2022

(C) Affiliation Report

Formosa Taffeta Co., Ltd.

Review report on affiliation report by certified public accountant

No. 21018886

To Formosa Taffeta Co., Ltd.

The 2021 affiliation report compiled by Formosa Taffeta Co., Ltd. on March 9, 2022 is based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," disclosing information without much aberration from related information disclosed in the notes of the financial statement covering the aforementioned period.

The certified public account has found no major aberration in the notes of the 2021 affiliation report of Formosa Taffeta Co., Ltd. from the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," after comparing the two documents.

Wu Han-chi, PwC Taiwan

Liang Hua-Ling certified public accountant

March 9, 2022

Formosa Taffeta Co., Ltd. 2020 Affiliation Report

1 Status of relationship between subordinate company and controlling company

Unit: share; %

Name of controlling company	Reason of control	Shareholding of controlling company and pledge of stock rights			Directors, supervisors, or managers assigned by controlling company	
		Number of shares in held	%	Number of pledged shares	Title	Name
Formosa Chemicals & Fibre Corp.	That company can directly or indirectly control the company's personnel, finance, or business	630,022,431	37.40%	0	Chairman Director Director Director Director	Wong Wen-yuan Hong Fu-yuan Lee, Ching-Fen Lee Ming-chang Lee, Chien-Kuan

2. Transactions between subordinate company and controlling company

(1) Status of purchase and sale

Unit: NT\$1,000

Transactions with controlling company					Conditions for transactions with controlling company	Common transaction conditions		Reasons of difference	Note receivable (payable) and account receivable (payable)		Overdue Account receivable			Notes
Purchase (sale)	Amount	Share in total purchase (sale) %	Gross margin for sale	Unit Price (NT\$)	Credit period	Unit price	Credit period		Balance	Share in total note receivable (payable) or account receivable (payable) %	Handling value	Handling method	Value of allowance for bad debts	
Sale	293	0.00	25	Common list price	Open Account 60 Days	Common list price	45-120 days after sale	-	Account receivable 18	0.00	-	-	-	
Purchase	1,395,375	6.95	-	-	Two-month promissory note after acceptance	-	15-60 days after purchase	-	Note payable 318,392 Account payable 163,800	70.90 19.70	-	-	-	

Note: Due to effect of product specifications and nature on price, transactions between Formosa Taffeta and affiliates and between the company and common customers cannot be evaluated with the same criteria.

(2) Property transaction: nil

(3) Loan extension: nil

(4) Lease of assets: nil

(5) Other important transactions: nil

10. Endorsement and guarantee: nil

11. Other items with major influence on finance and business: nil

Chairman: Wong Wen-yuan

Managerial staffer: Lee Ming-chang

Accounting chief: Lee Shu-ming

B. Disclose the status of securities issuance via private placement in 2020 and 2021 as of the publication of the annual report, including date and amount approved by shareholders' meeting or the board of directors, basis and reasonableness for the setting of issuance price, method for the selection of specific persons, necessity for the private share placement, targets and qualifications of the private share placement, their subscription amounts, relationship with the company, participation in the company's management, actual subscription (or conversion) prices, difference between actual subscription prices and reference prices, effect of private share placement on shareholders' equity, utilization of the fund collected from private share placement during the interval before formulation of utilization plan for the fund, status for the utilization of the fund, progress for the execution of the fund utilization plan, and manifested result: nil.

C. Holding or disposal of the company's shares by subsidiaries in the recent year and as of the date of the publication of the annual report:

Unit: NT\$1,000; share; %

Name of subsidiary (note 1)	Stock capital collected	fund Source	Percent age of shareholding by the company	Date of share acquisition or disposal	shares and amount of acquisition (note 2)	Volume and value of share disposal (note 2)	Investment income/loss	Volume and value of shareholding as of the date of the publication of the annual report (note 3))	Setting of pledge	Value of guarantee and endorsement undertaken by the company for subsidiary	Loans extended by the company to subsidiaries
Formosa Development Co., Ltd.	161,000	Own fund	100.00	2021	Nil	Nil	Nil	shares:2,193,228 amount: 68,100	Nil	Nil	Nil
				As of the printing date of this annual report	Nil	Nil	Nil	shares:2,193,228 amount: 67,551	Nil	Nil	Nil

Note 1: List the situation of subsidiaries separately.

Note 2: Value refers to actual value deriving from share acquisition or disposal.

Note 3: List the status of shareholding and share disposal separately.

Note 4: Explain their influence on the company's financial performance and status.

D. Other necessary supplementary explanations: nil

E. Whether or not there is item with major influence on shareholders' equity or securities prices, as stipulated in item 3-2 of article 36 of the Securities and Exchange Act: nil.

F. Guidelines for Ethical Conducts of the Company's Directors, Supervisors and Managerial Staffers

revised by the board of directors on June 23, 2017

Chapter 1 General rules

Article 1: The guidelines are formulated, to assure conformance to ethical conducts in carrying out business activities related to their jobs by the company's directors and managerial staffers (including president, executive vice president, senior vice president, vice president, financial chief, accounting chief, and others with the authority of management and signature), so as to prevent unethical conducts and conducts detrimental to the interests of the company and shareholders.

Chapter 2 Norms for ethical conducts

Article 2: In handling the company's affairs, directors and managerial staffers should embrace a self-disciplined attitude, based on honesty without deception, trustworthiness and law abidance, fairness and justness, and compliance with ethics.

Article 3: Directors and managerial staffers should avoid conflict of interests involving meddling or possible meddling with the company's overall interests for personal interests, including, but not limited to, inability to handle corporate affairs in an objective and efficient manner, or provision of improper benefits to themselves, their spouses, parents, children, or relatives within second-degree kinship, thanks to their positions in the company. To prevent conflict of interest, it is necessary to pass the review by the board of directors beforehand, for the company providing loans or guarantee to, or engaging in major transactions of assets with, the aforementioned persons or their associated affiliates. Related purchase or sale should be carried out, on the consideration of the company's maximum benefits.

Article 4: In the face of profit-making opportunities for the company, directors and managerial staffers should uphold just and legal benefits available to the company. Directors and managerial staffers shouldn't take advantage of the company's properties or information or their positions to seek personal benefits. In addition to the requirements of the Company Act or corporate charter, they should not engage in business activities, in competition with the company.

Article 5: Directors and managerial staffers have the duty of confidentiality for information on the company, suppliers, and customers, except cases with authorized or legally mandated publication. Information which should be kept confidential include those whose utilization by rivals or leakage may harm the interests of the company or customers.

Article 6: Directors and managerial staffers should treat the company's suppliers, customers, rivals, and employees in a fair manner, avoiding acquisition of improper benefits via manipulation, concealing, or abuse of information obtained from their positions, untrue narration on major issues, or other unfair transaction methods.

Article 7: Directors and managerial staffers should utilize the company's assets properly, according to the needs of their jobs, and avoid stealth, negligent usage, or waste of the company's assets, which may affect the company's profitability.

Article 8: Directors and managerial staffers should abide by various laws and government regulations, as well as the company's regulations and systems.

Article 9: When discovering violation of laws/regulations or guidelines by directors or managerial staffers, the company's employees should report, along with sufficient evidence, the irregularities to the auditing committee, direct managerial superiors, personnel or internal-auditing chiefs at the President's Office, or other proper parties. After the reports are investigated and confirmed, the company will reward the informants

property, according to personnel management regulations.

The company will handle the aforementioned reports in a confidential and responsible manner and make its utmost in protecting the safety of those who make the reports in good faith, to shield them from retaliation in any form.

Article 10: Should directors or managerial staffers be confirmed to violate the guidelines, in addition to penalties according to personnel management regulations, the case should be reported to the board of directors and the offenders should be subject to civil, criminal, or administrative liabilities, in addition to disclosure on the Open Market Observation Post System of relevant information, including date, situation, relevant article of the guidelines of the offense, as well as the state of handling.

Chapter 3 Procedure for exemption

Article 11: Proposal to exempt directors or managerial staffers from the requirements of the guidelines under special situation should be approved by the board of directors with agreement of over two thirds of the directors in attendance, whose number should be more than half of the total. Relevant information for the exemption should be posted on the Open Market Observation System instantly, including date of approval by the board of directors, opposition or reservation of independent directors, if any, exemption period, reasons for the exemption, and criteria for its exemption, for evaluation of its propriety by shareholders, so as to uphold the company's interests.

Chapter 4 Method for information disclosure

Article 12: The guidelines should be publicly disclosed on corporate website, in yearbook and prospectus, and on the Market Observation Post System and the requirement also applies to its revision.

Chapter 5 Supplementary provision

Article 13: The guidelines are put into practice after approval by the board of directors and should be reported to shareholders' meeting; the requirement also applies to its revision.

**FORMOSA TAFFETA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

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.

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Representation Letter

The entities that are required to be included in the combined financial statements of Formosa Taffeta Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Formosa Taffeta Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Formosa Taffeta Co. Ltd. & Subsidiary

Responsible person: Wong Wen-yuan

March 9, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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 consolidated financial statements section of our report. We are independent of the Group 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 Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Valuation of allowance for uncollectible accounts

Description

Refer to Note 4(11) for accounting policy on impairment of financial assets, Note 5(1) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(5) for details of allowance for uncollectible accounts. As of December 31, 2021, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT\$3,563,413 thousand and NT\$62,795 thousand, respectively.

The Group assesses the collectability of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Group recognizes impairment with a credit to accounts receivable. The Group 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 include:

- 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(13) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation loss. As of December 31, 2021, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$8,638,405 thousand and NT\$722,560 thousand, respectively.

The Group 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 Group 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 loss include:

- 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 other independent auditors

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using the equity method) of NT\$11,856,057 thousand and NT\$10,464,559 thousand, constituting 15% and 13% of consolidated total assets as of December 31, 2021 and 2020, respectively, and operating income of NT\$5,195,106 thousand and NT\$5,226,488 thousand, constituting 16% and 18% of consolidated total operating income for the years then ended, respectively, and

comprehensive income were NT\$711,791 thousand and NT\$195,395 thousand, constituting 29% and 13% of total comprehensive income for the years then ended, respectively. Those financial statements 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 accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other independent auditors.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2021 and 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 Group’s financial reporting process.

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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

The accompanying consolidated 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 consolidated 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,471,141	4	\$ 3,083,322	4
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
1136	Current financial assets at amortized cost	6(4)	62,909	-	27,148	-
1150	Notes receivable, net	6(5)	57,955	-	43,015	-
1160	Notes receivable - related parties	7	8,505	-	4,260	-
1170	Accounts receivable, net	6(5)	3,563,413	5	3,105,207	4
1180	Accounts receivable - related parties	7	206,124	-	161,586	-
1200	Other receivables	7	212,832	-	221,203	-
130X	Inventory	6(6)	7,915,845	10	6,849,017	9
1410	Prepayments		567,287	1	415,065	1
1470	Other current assets		138,426	-	259,536	-
11XX	Total current assets		<u>17,693,888</u>	<u>22</u>	<u>15,579,258</u>	<u>20</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	40,512,078	50	40,032,761	50
1550	Investments accounted for using the equity method	6(7)	9,555,195	12	9,626,525	12
1600	Property, plant and equipment	6(8) and 8	11,541,908	14	12,322,002	16
1755	Right-of-use assets	6(9)	1,026,668	1	1,009,957	1
1760	Investment property, net	6(10)	575,852	1	609,408	1
1840	Deferred income tax assets	6(29)	71,876	-	103,811	-
1900	Other non-current assets		364,723	-	178,336	-
15XX	Total non-current assets		<u>63,648,300</u>	<u>78</u>	<u>63,882,800</u>	<u>80</u>
1XXX	Total assets		<u>\$ 81,342,188</u>	<u>100</u>	<u>\$ 79,462,058</u>	<u>100</u>

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12) and 8	\$ 3,167,227	4	\$ 3,266,405	4
2110	Short-term notes and bills payable	6(13)	299,941	-	499,979	1
2120	Financial liabilities at fair value through profit or loss - current	6(14)	-	-	137	-
2150	Notes payable		221,284	-	202,880	-
2160	Notes payable - related parties	7	341,981	1	150,655	-
2170	Accounts payable		1,093,116	1	1,107,244	2
2180	Accounts payable - related parties	7	967,146	1	834,831	1
2200	Other payables	6(15) and 7	1,039,634	1	975,871	1
2230	Current income tax liabilities		197,485	-	83,539	-
2280	Current lease liabilities	6(9)	82,334	-	100,957	-
2320	Long-term liabilities, current portion		-	-	56,822	-
2399	Other current liabilities		494,900	1	386,777	1
21XX	Total current liabilities		<u>7,905,048</u>	<u>9</u>	<u>7,666,097</u>	<u>10</u>
	Non-current liabilities					
2540	Long-term borrowings	6(16)	9,700,000	12	8,900,000	11
2570	Deferred income tax liabilities	6(29)	349,420	-	399,959	1
2580	Non-current lease liabilities	6(9)	728,999	1	682,086	1
2600	Other non-current liabilities	6(17)	414,862	1	330,328	-
25XX	Total non-current liabilities		<u>11,193,281</u>	<u>14</u>	<u>10,312,373</u>	<u>13</u>
2XXX	Total liabilities		<u>19,098,329</u>	<u>23</u>	<u>17,978,470</u>	<u>23</u>
	Equity attributable to owners of parent					
	Share capital	6(18)				
3110	Common stock		16,846,646	21	16,846,646	21
	Capital surplus	6(19)				
3200	Capital surplus		1,301,769	2	1,297,081	2
	Retained earnings	6(20)				
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	10	8,228,927	10
	Other equity interest	6(21)				
3400	Other equity interest		24,777,878	30	24,355,213	30
3500	Treasury stocks	6(18)	(19,064)	-	(19,064)	-
31XX	Equity attributable to owners of the parent		<u>62,243,859</u>	<u>77</u>	<u>61,483,588</u>	<u>77</u>
3XXX	Total equity		<u>62,243,859</u>	<u>77</u>	<u>61,483,588</u>	<u>77</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 81,342,188</u>	<u>100</u>	<u>\$ 79,462,058</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(22) and 7	\$ 32,799,007	100	\$ 28,783,492	100
5000	Operating costs	6(6)(26)(27) and 7	(28,625,437)	(87)	(25,770,665)	(90)
5900	Net operating margin		4,173,570	13	3,012,827	10
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(1,790,536)	(5)	(1,635,798)	(5)
6200	General and administrative expenses		(832,867)	(3)	(800,683)	(3)
6000	Total operating expenses		(2,623,403)	(8)	(2,436,481)	(8)
6900	Operating profit		1,550,167	5	576,346	2
	Non-operating income and expenses					
7100	Interest income	6(23)	9,357	-	13,244	-
7010	Other income	6(24) and 7	535,366	2	1,476,272	5
7020	Other gains and losses	6(25)	(163,887)	(1)	(150,981)	-
7050	Finance costs	6(28)	(154,409)	(1)	(161,693)	(1)
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(7)	610,761	2	509,374	2
7000	Total non-operating income and expenses		837,188	2	1,686,216	6
7900	Profit before income tax		2,387,355	7	2,262,562	8
7950	Income tax expense	6(29)	(244,188)	(1)	(166,772)	(1)
8000	Profit for the year from continuing operations		2,143,167	6	2,095,790	7
8100	Loss from discontinued operations	6(11)	-	-	(484)	-
8200	Profit for the year		\$ 2,143,167	6	\$ 2,095,306	7

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income	6(21)				
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial gains (losses) on defined benefit plans		(\$ 137,864)	-	\$ 108,400	1
8316 Unrealized gain or loss on valuation of financial assets at fair value through other comprehensive income		558,401	2	(536,786)	(2)
8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		<u>73,605</u>	-	<u>(7,810)</u>	-
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>494,142</u>	<u>2</u>	<u>(436,196)</u>	<u>(1)</u>
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(86,660)	-	(251,629)	(1)
8370 Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method		<u>(110,401)</u>	<u>(1)</u>	<u>60,839</u>	-
8360 Other comprehensive loss that will be reclassified to profit or loss		<u>(197,061)</u>	<u>(1)</u>	<u>(190,790)</u>	<u>(1)</u>
8300 Total other comprehensive income (loss) for the year		<u>\$ 297,081</u>	<u>1</u>	<u>(\$ 626,986)</u>	<u>(2)</u>
8500 Total comprehensive income for the year		<u>\$ 2,440,248</u>	<u>7</u>	<u>\$ 1,468,320</u>	<u>5</u>
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 2,143,167	6	\$ 2,095,548	7
8620 Non-controlling interest		-	-	(242)	-
		<u>\$ 2,143,167</u>	<u>6</u>	<u>\$ 2,095,306</u>	<u>7</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		\$ 2,440,248	7	\$ 1,468,562	5
8720 Non-controlling interest		-	-	(242)	-
		<u>\$ 2,440,248</u>	<u>7</u>	<u>\$ 1,468,320</u>	<u>5</u>
Basic and diluted earnings per share (in dollars)	6(30)	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Profit attributable to common shareholders of the parent		\$ 1.35	\$ 1.27	\$ 1.30	\$ 1.25
Assuming shares held by subsidiaries are not deemed as treasury stock:					
Profit attributable to common shareholders of the parent		\$ 1.35	\$ 1.27	\$ 1.30	\$ 1.24

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
	Retained Earnings					Other Equity Interest						
	Share capital - common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity	
Notes												
Year ended December 31, 2020												
		\$ 16,846,646	\$ 1,289,642	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	(\$ 1,055,651)	\$ 26,065,808	(\$19,064)	\$ 64,219,249	\$ 4,651	\$ 64,223,900
		-	-	-	-	2,095,548	-	-	-	2,095,548	(242)	2,095,306
		-	-	-	-	108,781	(190,790)	(544,977)	-	(626,986)	-	(626,986)
		-	-	-	-	2,204,329	(190,790)	(544,977)	-	1,468,562	(242)	1,468,320
	6(20)											
		-	-	518,872	-	(518,872)	-	-	-	-	-	-
		-	-	-	-	(4,211,662)	-	-	-	(4,211,662)	-	(4,211,662)
	6(19)											
		-	(144)	-	-	-	-	-	-	(144)	-	(144)
	6(19)											
		-	2,100	-	-	-	-	-	-	2,100	-	2,100
	6(19)											
		-	5,483	-	-	-	-	-	-	5,483	-	5,483
	6(21)											
		-	-	-	-	(80,823)	-	80,823	-	-	-	-
	6(21)											
		-	-	-	-	-	-	-	-	-	(4,409)	(4,409)
		\$ 16,846,646	\$ 1,297,081	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$19,064)	\$ 61,483,588	\$ -	\$ 61,483,588

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
	Retained Earnings					Other Equity Interest						
	Notes	Share capital - common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2021												
Balance at January 1, 2021		\$ 16,846,646	\$ 1,297,081	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$19,064)	\$ 61,483,588	\$ -	\$ 61,483,588
Profit for the year		-	-	-	-	2,143,167	-	-	-	2,143,167	-	2,143,167
Other comprehensive income (loss)		-	-	-	-	(142,262)	(197,061)	636,404	-	297,081	-	297,081
Total comprehensive income (loss)		-	-	-	-	2,000,905	(197,061)	636,404	-	2,440,248	-	2,440,248
Appropriations of 2020 earnings	6(20)											
Legal reserve		-	-	212,351	-	(212,351)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,684,665)	-	-	-	(1,684,665)	-	(1,684,665)
Paid expired cash dividends transferred to capital surplus	6(19)	-	(97)	-	-	-	-	-	-	(97)	-	(97)
Expired cash dividends transferred to capital surplus	6(19)	-	2,592	-	-	-	-	-	-	2,592	-	2,592
Adjustment of cash dividends paid to consolidated subsidiaries acquired	6(19)	-	2,193	-	-	-	-	-	-	2,193	-	2,193
Change in the net interest of associates recognized under the equity method	6(21)	-	-	-	-	16,678	-	(16,678)	-	-	-	-
Balance at December 31, 2021		<u>\$ 16,846,646</u>	<u>\$ 1,301,769</u>	<u>\$ 8,772,558</u>	<u>\$ 2,214,578</u>	<u>\$ 8,349,494</u>	<u>(\$ 1,443,502)</u>	<u>\$ 26,221,380</u>	<u>(\$19,064)</u>	<u>\$ 62,243,859</u>	<u>\$ -</u>	<u>\$ 62,243,859</u>

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit from continuing operations before tax		\$ 2,387,355	\$ 2,262,562
Profit from discontinued operations before tax	6(11)	-	484
Profit before tax		2,387,355	2,263,046
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)(26)	1,345,408	1,341,228
Amortization		3,163	7,547
Interest expense	6(9)(28)	154,409	172,577
Interest income	6(23)	(9,357)	(13,244)
Dividend income	6(24)	(280,873)	(1,156,765)
Loss on valuation of financial assets	6(2)(25)	82	37
(Gain) loss on valuation of financial liabilities	6(14)(25)	(137)	57
Share of profit of associates and joint ventures accounted for using the equity method	6(7)	(610,761)	(509,374)
Loss on disposal of investments	6(25)	-	734
Loss (gain) on disposal and scrap of property, plant and equipment	6(25)	5,335	(11,972)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(14,940)	(15,616)
Notes receivable - related parties		(4,245)	2,135
Accounts receivable, net		(457,946)	10,009
Accounts receivable - related parties		(44,538)	61,603
Other receivables		8,191	144,115
Inventory		(1,066,828)	1,234,622
Prepayments		(172,936)	218,520
Other current assets		117,396	56,844
Changes in operating liabilities			
Notes payable		18,404	(18,546)
Notes payable - related parties		191,326	101,567
Accounts payable		(14,128)	(101,500)
Accounts payable - related parties		132,315	(326,125)
Other payables		104,407	(456,138)
Other current liabilities		51,301	258,318
Other non-current liabilities		(55,065)	(63,103)
Cash inflow generated from operations		1,787,338	3,200,576
Interest received		9,537	13,762
Cash dividends received		930,357	1,595,848
Interest paid		(145,259)	(171,449)
Income tax paid		(148,881)	(419,983)
Net cash flows from operating activities		2,433,092	4,218,754

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		\$ -	(\$ 129,100)
Acquisition of financial assets at amortized cost		(35,761)	(27,148)
Acquisition of investment accounted for using the equity method		-	(1,353,514)
Proceeds from disposal of subsidiary	6(31)	-	(23,556)
Acquisition of property, plant and equipment	6(31)	(469,841)	(983,058)
Proceeds from disposal of property, plant and equipment		2,479	34,900
Increase in other non-current assets		(174,264)	(30,470)
Guarantee deposits (received) paid		(12,123)	23,641
Net cash flows used in investing activities		(689,510)	(2,488,305)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(32)	(99,178)	(486,972)
(Decrease) increase in short-term notes and bills payable	6(32)	(200,038)	499,979
Payment of long-term borrowings		(9,499,170)	(9,258,722)
Increase in long-term borrowings		10,300,000	11,700,000
Cash dividends paid		(1,684,507)	(4,209,383)
Payment of lease principal	6(9)	(152,699)	(155,585)
Decrease in guarantee deposits		1,736	-
Net cash flows used in financing activities		(1,333,856)	(1,910,683)
Effect of foreign exchange rate		(21,907)	26,932
Net increase (decrease) in cash and cash equivalents		387,819	(153,302)
Cash and cash equivalents at beginning of year	6(1)	3,083,322	3,236,624
Cash and cash equivalents at end of year	6(1)	\$ 3,471,141	\$ 3,083,322

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED 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 Yulin 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 departments</u>	<u>Major activities</u>
Primary department: Fabrics, dyeing and others	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastic 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) As of December 31, 2021, the Company and its subsidiaries (collectively referred herein as the “Group”) had 7,376 employees.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated 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 the 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 Group’s financial condition and financial performance based on the Group’s assessment.

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

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 Group’s financial condition and financial performance based on the Group’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 Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group 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 consolidated 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 less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100	100	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residential and buildings, and development of new community and specialized zones	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100	100	
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	

For the years ended December 31, 2021 and 2020, except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta Dong Nai Co., Ltd, whose financial statements were audited by other independent auditors, the financial statement of other subsidiaries were audited by the Company's auditors.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's 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 group entities, associates and joint arrangements 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.

(5) 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 settle 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 settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled 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.

(6) 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.

(7) 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 Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group 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 Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) 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 Group 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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group 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.

(11) 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 Group 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 Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group 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 Group 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 Group has not retained control of the financial asset.

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

(14) Investments accounted for using the equity method/associates

- A. Associates are all entities over which the Group 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.
- B. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. 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 Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group'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.

- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Leasing arrangements (lessor) – lease receivables/operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- 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 Group 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 financial year-end. 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:

<u>Items</u>	<u>Estimated useful lives</u>
Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	2 ~ 20 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 17 years

(17) 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 Group. 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. Lease 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 Group 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.

(18) 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 27~30 years.

(19) Impairment of non-financial assets

The Group 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized.

(20) 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.

(21) 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.

(22) 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 Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) 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.

(24) 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.

(25) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group 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 Group 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.

(26) 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. Pension

(a) Defined contribution plans

For the 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 Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) 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 consolidated 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 Group 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.

(28) 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.

(29) Dividends

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

(30) Revenue recognition

- A. The Group 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 Group 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 Group'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.

(31) Government grants

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

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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 assessment of accounts receivable

In evaluating impairment, the Group 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 future indicators declined, 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 product innovation, the Group 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 \$7,915,845.

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	\$ 93,645	\$ 61,532
Checking accounts and demand deposits	1,521,542	1,399,609
Time deposits	1,709,972	1,095,359
Commercial paper	145,982	526,822
	<u>\$ 3,471,141</u>	<u>\$ 3,083,322</u>

- A. The Group 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 range of time deposit rate on December 31, 2021 and 2020 are 0.1%~4.3% and 0.15%~3.8%, respectively.
- C. The range of commercial paper rate on December 31, 2021 and 2020 are 0.21%~0.22% and 0.19%~0.21%, respectively.
- D. The Group 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 thousand.
- E. The Group 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. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Forward foreign exchange contracts	(\$ 82)	(\$ 37)

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

Year ended December 31, 2021: None.

<u>Derivative Instruments</u>	<u>December 31, 2020</u>	
	<u>Contract Amount (Notional Principal) (in thousands)</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 buy and sell 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,126
Unlisted stocks	6,647,666	6,647,116
	<u>14,810,791</u>	<u>14,810,242</u>
Valuation adjustment	25,701,287	25,222,519
	<u>\$ 40,512,078</u>	<u>\$ 40,032,761</u>

A. The Group 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:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income (loss)	\$ 558,401	(\$ 536,786)
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 Group 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).

(4) Financial assets at amortized cost

Items	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Time deposit	\$ 62,909	\$ 27,148

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 972	\$ 1,046

B. 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 amortized cost held by the Group were \$62,909 and \$27,148, respectively.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(3).

(5) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 57,955	\$ 43,015
Accounts receivable	\$ 3,626,208	\$ 3,168,262
Less: Allowance for bad debts	(62,795)	(63,055)
	<u>\$ 3,563,413</u>	<u>\$ 3,105,207</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 3,562,781	\$ 3,170,562
Up to 30 days	81,194	29,715
31 to 90 days	21,801	5,862
Over 90 days	18,387	5,138
	<u>\$ 3,684,163</u>	<u>\$ 3,211,277</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 \$3,205,673.

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 Group's notes and accounts receivable were \$3,621,368 and \$3,148,222, respectively.

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

(6) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,302,690	(\$ 104,250)	\$ 1,198,440
Supplies	254,640	(4,583)	250,057
Work in process	2,692,176	-	2,692,176
Finished goods	3,596,140	(613,727)	2,982,413
Merchandise inventory	214,886	-	214,886
Materials in transit	265,645	-	265,645
Outsourced processed materials	242,248	-	242,248
Construction in progress	1,645	-	1,645
Land for construction	68,335	-	68,335
	<u>\$ 8,638,405</u>	<u>(\$ 722,560)</u>	<u>\$ 7,915,845</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,192,694	(\$ 102,141)	\$ 1,090,553
Supplies	224,132	(4,372)	219,760
Work in process	2,237,676	(5,448)	2,232,228
Finished goods	3,459,449	(794,323)	2,665,126
Merchandise inventory	236,878	-	236,878
Materials in transit	119,061	-	119,061
Outsourced processed materials	207,406	(90)	207,316
Construction in progress	59,525	-	59,525
Land for construction	18,570	-	18,570
	<u>\$ 7,755,391</u>	<u>(\$ 906,374)</u>	<u>\$ 6,849,017</u>

Information about the inventories that were pledged to others as collateral is provided in Note 8.

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	\$ 28,626,047	\$ 25,834,758
Inventory valuation gain (Note 1)	(183,814)	(81,287)
Others (Note 2)	183,204	29,559
	<u>28,625,437</u>	<u>25,783,030</u>
Less: Cost of inventories recognized as expense from discontinued operations	-	(12,365)
	<u>\$ 28,625,437</u>	<u>\$ 25,770,665</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 service cost, inventory overage/shortage and disposal of scrap and defective materials.

(7) Investments accounted for using the equity method

Items	December 31, 2021	December 31, 2020
Formosa Advanced Technologies Co., Ltd.	\$ 5,152,935	\$ 5,003,040
Formosa Industries Co., Ltd.	1,825,888	1,972,294
Quang Viet Enterprise Co., Ltd.	1,238,353	1,167,551
Schoeller Textil AG	1,030,378	1,270,603
Nan Ya Photonics Inc.	290,161	196,554
Changshu Yu Yuan Development Co., Ltd.	17,480	16,483
	\$ 9,555,195	\$ 9,626,525

- A. In August 2020, the Group increased its investments in Nan Ya Photonics Inc. by \$66,938 thousand. As of December 31, 2021, the Group's shareholding ratio was 15.22% and the Group was the director of the company. As the Group has significant influence over its operations, the investment is accounted for using the equity method.
- B. 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 Group 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. Accordingly, the investment was accounted for using the equity method.
- C. The investment income of \$610,761 and \$509,374 for the years ended December 31, 2021 and 2020, respectively, were accounted for using the equity method based on the financial statements of the investee companies audited by other independent auditors, except for Formosa Advanced Technologies Co., Ltd. whose financial statements were audited by the Company's auditors.
- D. The Group's material associates have quoted market prices as follows:

	December 31, 2021	December 31, 2020
Formosa Advanced Technologies Co., Ltd.	\$ 5,323,699	\$ 5,146,696
Quang Viet Enterprise Co., Ltd.	2,427,998	2,009,378
	\$ 7,751,697	\$ 7,156,074

E. Associates

(a) The basic information of the associates that are material to the Group is as follows:

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%	Investments accounted for using the equity method	Equity method
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Investments accounted for using the equity method	Equity method

(b) The summarized financial information of the associates that are material to the Group 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	\$ 3,787,680	\$ 3,637,785
Difference	1,365,255	1,365,255
Carrying amount of the associate	\$ 5,152,935	\$ 5,003,040

	Formosa Industries 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>	
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>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 Industries Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>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>

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2021 and 2020, the carrying amount of the Group's individually immaterial associates amounted to \$2,576,370 and \$2,651,191, respectively.

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Profit for the year from continuing operations	\$ 444,434	\$ 518,315
Other comprehensive income, net of tax	<u>556,158</u>	<u>149,373</u>
Total comprehensive income	<u>\$ 1,000,592</u>	<u>\$ 667,688</u>

(8) Property, plant and equipment

	2021					
	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1</u>						
Cost	\$ 2,189,947	\$ 10,365,740	\$ 23,138,515	\$ 4,941,190	\$ 613,374	\$ 41,248,766
Accumulated depreciation	(10,890)	(6,419,261)	(17,831,721)	(4,509,154)	-	(28,771,026)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>
Opening net book amount as at January 1	\$ 2,023,319	\$ 3,946,479	\$ 5,306,794	\$ 432,036	\$ 613,374	\$ 12,322,002
Additions	-	-	-	-	455,902	455,902
Disposals	-	(24)	(4,877)	(2,913)	-	(7,814)
Transfers	-	63,446	611,059	35,621	(710,126)	-
Depreciation charge	-	(300,981)	(791,319)	(69,327)	-	(1,161,627)
Net exchange differences	(7)	(26,746)	(84,311)	(4,748)	49,257	(66,555)
Closing net book amount as at December 31	<u>\$ 2,023,312</u>	<u>\$ 3,682,174</u>	<u>\$ 5,037,346</u>	<u>\$ 390,669</u>	<u>\$ 408,407</u>	<u>\$ 11,541,908</u>
<u>At December 31</u>						
Cost	\$ 2,189,875	\$ 10,382,564	\$ 23,290,879	\$ 4,875,439	\$ 408,407	\$ 41,147,164
Accumulated depreciation	(10,825)	(6,700,390)	(18,253,533)	(4,484,770)	-	(29,449,518)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,312</u>	<u>\$ 3,682,174</u>	<u>\$ 5,037,346</u>	<u>\$ 390,669</u>	<u>\$ 408,407</u>	<u>\$ 11,541,908</u>

	2020					
	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 2,195,581	\$ 10,464,411	\$ 22,122,591	\$ 4,969,124	\$ 518,109	\$ 40,269,816
Accumulated depreciation	(13,535)	(6,124,307)	(16,754,076)	(4,523,421)	-	(27,415,339)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,026,308</u>	<u>\$ 4,340,104</u>	<u>\$ 5,368,515</u>	<u>\$ 445,703</u>	<u>\$ 518,109</u>	<u>\$ 12,698,739</u>
Opening net book amount as at January 1	\$ 2,026,308	\$ 4,340,104	\$ 5,368,515	\$ 445,703	\$ 518,109	\$ 12,698,739
Additions	-	-	-	210	1,115,344	1,115,554
Disposals	(3,004)	(3,906)	(12,745)	(3,273)	-	(22,928)
Transfers (Note)	-	8,925	829,592	71,895	(1,004,104)	(93,692)
Depreciation charge	-	(324,184)	(756,346)	(75,178)	-	(1,155,708)
Disposals - discontinued operations	-	-	-	(14)	-	(14)
Net exchange differences	15	(74,460)	(122,222)	(7,307)	(15,975)	(219,949)
Closing net book amount as at December 31	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>
<u>At December 31</u>						
Cost	\$ 2,189,947	\$ 10,365,740	\$ 23,138,515	\$ 4,941,190	\$ 613,374	\$ 41,248,766
Accumulated depreciation	(10,890)	(6,419,261)	(17,831,721)	(4,509,154)	-	(28,771,026)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>

Note: Transferred to investment property.

A. Amount of 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	\$ 2,333	\$ 5,575
Range of the interest rates for capitalization	0.7%~2.27%	0.80%~4.25%

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

Items	Significant components	Estimated useful lives
Land improvements	Pipelines	3 ~ 15 years
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	2 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	3 ~ 15 years
Other equipment	Cogeneration power generation equipment	2 ~ 17 years

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles 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 was \$808,300.

(9) Leasing arrangements – lessee

A. The Group 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Carrying amount	Carrying amount
Right-of-use asset - land	\$ 1,026,668	\$ 1,009,957

	Years ended December 31,	
	2021	2020
Right-of-use asset - land	Depreciation charge \$ 150,792	Depreciation charge \$ 155,521

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:

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 10,119	\$ 10,883
Expense on short-term lease contracts	1,714	2,386

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$152,699 and \$155,585, respectively.

(10) Investment property

	2021		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 1,013,317	\$ 1,021,209
Accumulated depreciation	-	(411,801)	(411,801)
	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>
Opening net book amount as at January 1	\$ 7,892	\$ 601,516	\$ 609,408
Depreciation charge	-	(32,989)	(32,989)
Net exchange differences	-	(567)	(567)
Closing net book amount as at December 31	<u>\$ 7,892</u>	<u>\$ 567,960</u>	<u>\$ 575,852</u>
At December 31			
Cost	\$ 7,892	\$ 1,012,678	\$ 1,020,570
Accumulated depreciation	-	(444,718)	(444,718)
	<u>\$ 7,892</u>	<u>\$ 567,960</u>	<u>\$ 575,852</u>
	2020		
	Land	Buildings	Total
At January 1			
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>
Opening net book amount as at January 1	\$ 7,892	\$ 536,032	\$ 543,924
Transfers (Note)	-	93,693	93,693
Depreciation charge	-	(29,999)	(29,999)
Net exchange differences	-	1,790	1,790
Closing net book amount as at December 31	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>
At December 31			
Cost	\$ 7,892	\$ 1,013,317	\$ 1,021,209
Accumulated depreciation	-	(411,801)	(411,801)
	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>

Note: It mainly refers to transfers from property, plant and equipment to the investment property held by the Group.

A. Rental income from investment property is as follows:

	Years ended December 31,	
	2021	2020
Rental income from investment property	\$ 55,598	\$ 53,429

B. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 were \$701,006 and \$675,233, respectively, which was by reference to the transaction prices of similar prices in the neighboring areas.

(11) Discontinued operations

A. On October 17, 2019, the Group's Board of Directors resolved to sell all equity interest in the Group's subsidiary, Schoeller F.T.C (Hong Kong) Co., Ltd., to Schoeller Textil AG. The selling price was \$6,028 and disposal gain was \$165. Schoeller F.T.C (Hong Kong) Co., Ltd. was presented as discontinued operations as it has met the definition of discontinued operations. The transfer of shares was completed on March 16, 2020.

B. The cash flow information of the discontinued operations is as follows:

	Year ended December 31, 2020	
Operating cash flows	(\$	2,519)
Investing cash flows		-
Financing cash flows		-
Total cash flows	(\$	2,519)

C. Analysis of the result of discontinued operations, and the result recognized on the remeasurement of assets or disposal group, is as follows:

	Year ended December 31, 2020	
Operating revenue	\$	17,555
Operating costs	(	12,365)
Operating expenses	(	5,589)
Total non-operating income and expenses	(	85)
Loss before tax from discontinued operations	(	484)
Income tax expense		-
Loss from discontinued operations	(\$	484)

(12) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 3,065,991	0.70%~3.75%	-
Secured borrowings	70,000	1.20%	Property, plant and equipment and Inventories
Purchase loans	31,236	0.75%~4.5%	-
	\$ 3,167,227		

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	\$ 3,221,622	0.76%~4.05%	-
Secured borrowings	40,000	1.40%	Property, plant and equipment and Inventories
Purchase loans	4,783	0.84%	-
	<u>\$ 3,266,405</u>		

(13) Short-term notes and bills payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 300,000	\$ 500,000
Less: Commercial paper payable discount	(59)	(21)
	<u>\$ 299,941</u>	<u>\$ 499,979</u>
Interest rate	<u>0.34%~0.45%</u>	<u>0.20%~0.25%</u>

On December 31, 2021 and 2020, the abovementioned commercial paper payable is issued by Taishin International Bank, Ta Ching Bills Finance Corporation and China Bills Finance Corporation, etc.

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

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

A. The Group recognized net gain (loss) of \$137 and (\$57) on financial liabilities held for trading for the years ended December 31, 2021 and 2020, respectively.

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

Year ended December 31, 2021: None.

Derivative Financial Liabilities	December 31, 2020	
	Contract Amount (Notional Principal) (in thousands)	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 Group 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.

(15) Other payables

	December 31, 2021	December 31, 2020
Salaries and year-end bonus payable	\$ 451,177	\$ 430,180
Accrued utilities expenses	117,679	90,683
Commission payable	72,896	59,763
Payable on equipment	50,909	85,562
Dividends payable	13,240	12,985
Others	333,733	296,698
	<u>\$ 1,039,634</u>	<u>\$ 975,871</u>

(16) Long-term borrowings

	December 31, 2021	December 31, 2020
Credit borrowings	\$ 9,700,000	\$ 8,956,822
Less: Current portion	-	(56,822)
	<u>\$ 9,700,000</u>	<u>\$ 8,900,000</u>
Interest rate	<u>0.73%~0.85%</u>	<u>0.72%~2.27%</u>

(17) Pensions

A.(a) The Company and its domestic subsidiaries have 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 and its domestic

subsidiaries contribute monthly an amount equal to 12% 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 and its domestic subsidiaries would assess the balance in the aforementioned employees 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 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:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<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>
Less:			
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>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<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)
Change in financial assumptions	-	-	-
Experience adjustments	(54,116)	-	(54,116)
	<u>(54,116)</u>	<u>(54,284)</u>	<u>(108,400)</u>
Less:			
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 and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 utilization 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 earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets 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 Utilization 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.

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%	Decrease 1%
<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 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. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$14,502 and \$21,925, respectively.
- (g) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 are \$55,728.
- (h) As of December 31, 2021, the Company's weighted average duration of that retirement plan is 6.0 years.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (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 and its domestic subsidiaries contribute 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 Company's Mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., and Formosa Taffeta (Changshu) Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain

percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.

- (c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) Formosa Taffeta (Hong Kong) Co., Ltd. has a defined contribution plan whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.
- (e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulation.
- (f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$119,444 and \$93,945, respectively.

(18) Share capital

A. As of December 31, 2021, the Company's issued capital was \$16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of \$10 per share.

B. For the years ended December 31, 2021 and 2020, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Year ended December 31, 2021			Ending shares
		Beginning shares	Additions	Disposal	
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193
Reason for reacquisition	Investee company	Year ended December 31, 2020			Ending shares
		Beginning shares	Additions	Disposal	
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.

(19) 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.

	Year ended December 31, 2021				
	Treasury share transactions	Difference between carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2021	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543
Expired cash dividends transferred to capital surplus	-	-	-	-	2,592
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(97)
Adjustment of cash dividends paid to consolidated subsidiaries	2,193	-	-	-	-
At December 31, 2021	<u>\$ 38,773</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 10,038</u>
	Year ended December 31, 2020				
	Treasury share transactions	Difference between carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2020	\$ 31,097	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 5,587
Expired cash dividends transferred to capital surplus	-	-	-	-	2,100
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(144)
Adjustment of cash dividends paid to consolidated subsidiaries	5,483	-	-	-	-
At December 31, 2020	<u>\$ 36,580</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 7,543</u>

(20) 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
 - 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 by the stockholders during their meeting on July 30, 2021 and June 19, 2020, respectively. Details are summarized below:

	2020 earnings		2019 earnings	
	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 consolidated subsidiaries, Formosa Taffeta (Changshu) Co., Ltd, set aside a portion of after-tax profits for the reserve fund and staff bonus welfare fund in accordance with regulations on foreign invested enterprises as set forth in the Company Law of the People's Republic of China. The percentage of after-tax profits allocated to the reserve fund must be 10% or more. Once the amount of the reserve fund reaches 50% of the registered capital, contribution to the fund is no longer required. The percentage of after-tax profits allocated to the staff bonus welfare fund is determined by the company. No profits can be distributed before operating losses from prior years are first covered.

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

	<u>2021 earnings</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
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.

H. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(21) Other equity items

	<u>Unrealized gains on valuation</u>	<u>Currency translation</u>	<u>Non-controlling interest</u>
January 1, 2021	\$ 25,601,654	(\$ 1,246,441)	\$ -
Revaluation			
– Group	553,963	-	-
– Associates	82,441	-	-
Revaluation transferred to retained earnings			
– Associates	(16,678)	-	-
Difference of currency translation			
– Group	-	(86,660)	-
– Associates	-	(110,401)	-
December 31, 2021	<u>\$ 26,221,380</u>	<u>(\$ 1,443,502)</u>	<u>\$ -</u>
	<u>Unrealized gains on valuation</u>	<u>Currency translation</u>	<u>Non-controlling interest</u>
January 1, 2020	\$ 26,065,808	(\$ 1,055,651)	\$ 4,651
Revaluation			
– Group	(536,786)	-	-
– Associates	(8,191)	-	-
Revaluation transferred to retained earnings			
– Group	84,122	-	-
– Associates	(3,299)	-	-
Difference of currency translation			
– Group	-	(251,629)	-
– Associates	-	60,839	-
Net income of non-controlling interest	-	-	(242)
Net change of non-controlling interest	-	-	(4,409)
December 31, 2020	<u>\$ 25,601,654</u>	<u>(\$ 1,246,441)</u>	<u>\$ -</u>

(22) Operating revenue

	Years ended December 31,	
	2021	2020
Sales revenue	\$ 32,495,618	\$ 28,649,677
Service revenue	303,389	151,370
	<u>32,799,007</u>	<u>28,801,047</u>
Less: Operating revenue from discontinued operations	-	(17,555)
	<u>\$ 32,799,007</u>	<u>\$ 28,783,492</u>

(23) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 9,357	\$ 13,316
Less: Interest income from discontinued operations	-	(72)
	<u>\$ 9,357</u>	<u>\$ 13,244</u>

(24) Other income

	Years ended December 31,	
	2021	2020
Dividend income	\$ 280,873	\$ 1,156,765
Other income	254,493	319,507
	<u>\$ 535,366</u>	<u>\$ 1,476,272</u>

(25) Other gains and losses

	Years ended December 31,	
	2021	2020
(Loss) gain on disposal of property, plant and equipment	(\$ 5,335)	\$ 11,972
Loss on disposals of investments	-	(734)
Foreign exchange losses	(80,111)	(72,570)
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)
Bank charges	(34,354)	(29,326)
Other losses	(44,142)	(60,386)
	<u>(163,887)</u>	<u>(151,138)</u>
Less: Other losses from discontinued operations	-	157
	<u>(\$ 163,887)</u>	<u>(\$ 150,981)</u>

(26) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 3,469,418	\$ 3,247,931
Depreciation charges (including right-of-use assets and investment property)	1,345,408	1,341,228
	<u>4,814,826</u>	<u>4,589,159</u>
Less: Employee benefit expense from discontinued operations	-	(535)
Depreciation charges from discontinued operations	-	(231)
	<u>\$ 4,814,826</u>	<u>\$ 4,588,393</u>

(27) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 2,872,289	\$ 2,693,589
Labor and health insurance fees	318,289	296,130
Pension costs	133,946	115,870
Other personnel expenses	144,894	142,342
	<u>3,469,418</u>	<u>3,247,931</u>
Less: Employee benefit expense from from discontinued operations	-	(535)
	<u>\$ 3,469,418</u>	<u>\$ 3,247,396</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 amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current period for the year ended December 31, 2021. 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.

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.

(28) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 146,623	\$ 156,385
Other financial expense	10,119	10,883
Less: Capitalization of qualifying assets	(2,333)	(5,575)
	<u>\$ 154,409</u>	<u>\$ 161,693</u>

(29) Income tax

A. Income tax expense

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 292,678	\$ 121,133
Land value increment tax	-	566
Tax on undistributed surplus earnings	2,927	1,771
Adjustments in respect of prior period	(32,813)	(17,059)
Total current tax	<u>262,792</u>	<u>106,411</u>
Deferred tax:		
Origination and reversal of temporary differences	(18,604)	60,361
Total deferred tax	<u>(18,604)</u>	<u>60,361</u>
Income tax expense	<u>\$ 244,188</u>	<u>\$ 166,772</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)	\$ 603,508	\$ 498,148
Effect from permanent differences of income tax	(240,586)	(324,774)
Effect from temporary differences of income tax	(70,244)	(52,241)
Adjustments in respect of prior period	(32,813)	(17,059)
Net change in deferred tax assets and liabilities	(18,604)	60,361
Land value increment tax from selling land	-	566
Tax on undistributed earnings	2,927	1,771
Tax expense	<u>\$ 244,188</u>	<u>\$ 166,772</u>

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

C. Amounts of deferred tax assets or liabilities as a result of temporary differences 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 gains on disposal of equipment	1,742	(1,151)	-	591
Unrealized foreign exchange loss	-	2,742	-	2,742
	<u>103,811</u>	<u>(31,935)</u>	<u>-</u>	<u>71,876</u>
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)
	<u>(399,959)</u>	<u>50,539</u>	<u>-</u>	<u>(349,420)</u>
	<u>(\$ 296,148)</u>	<u>\$ 18,604</u>	<u>\$ -</u>	<u>(\$ 277,544)</u>

	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	\$ 125,140	(\$ 25,574)	\$ -	\$ 99,566
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503
Unrealized gains on disposal of equipment	5,394	(3,652)	-	1,742
Unrealized foreign exchange loss	4,925	(4,925)	-	-
	<u>137,962</u>	<u>(34,151)</u>	<u>-</u>	<u>103,811</u>
Deferred tax liabilities:				
-Temporary differences				
Unrealized foreign exchange gain	-	(2,721)	-	(2,721)
Investment income accounted for under equity method	(377,608)	(19,630)	-	(397,238)
Others	3,859	(3,859)	-	-
	<u>(373,749)</u>	<u>(26,210)</u>	<u>-</u>	<u>(399,959)</u>
	<u>(\$ 235,787)</u>	<u>(\$ 60,361)</u>	<u>\$ -</u>	<u>(\$ 296,148)</u>

- D. The income tax returns of the Company, Formosa Development Co., Ltd. and Public More Internation Company Ltd. through 2019 have been assessed and approved by the Tax Authority.
- E. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certified as high-tech enterprise by Guangdong Provincial Government and accordingly, is entitled to the applicable income tax rate of 15% for 3 years from 2018.
- F. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by the Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. Formosa Taffeta Dong Nai Co., Ltd. was granted income tax exemption for 3 years from the first profit-making year and income tax reduction was half of the 15% income tax rate or half of the 20% income tax rate for the next 4 to 10 years.
- G. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta Vietnam Co., Ltd. was 20%.
- H. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta (Hong Kong) Co., Ltd. was 16.5%.

(30) 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 the weighted average number 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
Profit attributable to owners of the parent	<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
Net income	<u>\$ 2,190,465</u>	<u>\$ 2,095,790</u>	<u>1,682,471</u>	<u>\$ 1.30</u>	<u>\$ 1.25</u>
Loss from discontinued operations	<u>(484)</u>	<u>(484)</u>		<u>-</u>	<u>-</u>
Profit attributable to the non-controlling interest	<u>242</u>	<u>242</u>		<u>-</u>	<u>-</u>
Profit attributable to owners of the parent	<u>\$ 2,190,223</u>	<u>\$ 2,095,548</u>		<u>\$ 1.30</u>	<u>\$ 1.25</u>

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

	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
Profit attributable to owners of the parent	<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		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$2,190,465	\$2,095,790	1,684,665	\$ 1.30	\$ 1.24
Loss from discontinued operations	(484)	(484)		-	-
Profit attributable to the non-controlling interest	242	242		-	-
Profit attributable to owners of the parent	<u>\$2,190,223</u>	<u>\$2,095,548</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.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 455,902	\$ 1,115,554
Add: Opening balance of payable on equipment	85,562	3,262
Ending balance of prepayment on equipment	67,489	88,203
Less: Ending balance of payable on equipment	(50,909)	(85,562)
Opening balance of prepayment on equipment	(88,203)	(138,399)
Cash paid during the year	<u>\$ 469,841</u>	<u>\$ 983,058</u>

B. Disposal of subsidiaries:

Year ended December 31, 2021: None.

	Year ended December 31, 2020
Selling price	\$ 6,028
Less: Cash of subsidiaries	(29,584)
	<u>(\$ 23,556)</u>

(32) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2021	\$ 3,266,405	\$ 499,979	\$ 8,956,822	\$ 12,723,206
Changes in cash flow from financing activities	(99,178)	(200,038)	744,008	444,792
Impact of changes in foreign exchange rate	-	-	(830)	(830)
At December 31, 2021	<u>\$ 3,167,227</u>	<u>\$ 299,941</u>	<u>\$ 9,700,000</u>	<u>\$ 13,167,168</u>

	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2020	\$ 3,753,377	\$ -	\$ 6,519,783	\$ 10,273,160
Changes in cash flow from financing activities	(486,972)	499,979	2,441,278	2,454,285
Impact of changes in foreign exchange rate	-	-	(4,239)	(4,239)
At December 31, 2020	<u>\$ 3,266,405</u>	<u>\$ 499,979</u>	<u>\$ 8,956,822</u>	<u>\$ 12,723,206</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 Corporation	Ultimate parent company
Formosa Advanced Technologies Co., Ltd.	Associate
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Schoeller Textil AG	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Asia Co., Ltd. (Note 1)	Other related party
(Shoeller F.T.C (Hong Kong) Co., Ltd.)	
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nan Ya Plastic (Guangzhou) Co., Ltd.	Other related party
Nan Ya Plastic (Nantong) Co., Ltd.	Other related party
Nan Ya Technology Corp.	Other related party
Nan Ya Printed Circuit Board (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
KONG YOU INDUSTRIAL CO., LTD.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Albers & Co AG (Note 2)	Other related party
FG INC	Other related party
Formosa HA TINH (CAYMAN) LIMITED	Other related party
NKFG Corp.	Other related party

Note 1: The Group 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 Textil 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 company	\$ 293	\$ 1,083
– Associates	298,665	281,456
– Other related party	925,413	964,133
	<u>\$ 1,224,371</u>	<u>\$ 1,246,672</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 company	\$ 1,831,286	\$ 1,511,504
– Associates	1,062,143	687,688
– Other related party		
Formosa Petrochemical Corp.	9,640,038	8,144,370
Others	1,303,489	999,645
	<u>\$ 13,836,956</u>	<u>\$ 11,343,207</u>

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

C. Receivables from related parties

	December 31, 2021	December 31, 2020
Notes and accounts receivable:		
– Ultimate parent company	\$ 18	\$ 31
– Associates	16,687	39,427
– Other related party	197,924	126,388
	<u>\$ 214,629</u>	<u>\$ 165,846</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>
Notes and accounts payable:		
– Ultimate parent company	\$ 560,160	\$ 339,547
– Associates	197,243	137,555
– Other related party		
Formosa Petrochemical Corp.	425,208	401,483
Others	126,516	106,901
	<u>\$ 1,309,127</u>	<u>\$ 985,486</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 and investment property

(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) Acquisition of financial assets:

Years ended December 31, 2021: None.

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

F. Others

(a) Formosa Taffeta (Dong Nai) Co., Ltd. was engaged by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the service consignment contract signed by Formosa Taffeta (Dong Nai) Co., Ltd. and Nhon Trach 3 Industrial Zone each year, Formosa Taffeta (Dong Nai) Co., Ltd. is responsible for managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other public liquid sold to lessees in investment district, repairing and performing service on various public facilities of power plant. In accordance with the contract, Formosa Taffeta (Dong Nai) Co., Ltd.'s collectible service expense is as follows:

- i. Land lease expense: 3% of Formosa Industry’s land rent revenue
 - ii. Public liquid service expense: 3% of Formosa Industry’s monthly sale of electricity to lessees in investment district
 - iii. Management expense: the full amount of management expense collected from lessees in investment district to Formosa Industry is to be paid to the Company and its subsidiaries.
- For the years ended December 31, 2021 and 2020, Formosa Taffeta (Dong Nai) Co., Ltd. has recognized lease service income in investment district of \$31,652 and \$31,992, respectively, for rendering the abovementioned consigned services. As of December 31, 2021 and 2020, the uncollected amount of \$2,880 and \$3,135, respectively, was recognized under ‘other receivables’.

For the above land leasing, as of December 31, 2021 and 2020, the management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd. is due to collect from the related party, Formosa Industry, amounted to \$25,385 and \$28,125, respectively.

(b) Rent income (shown as ‘other income’)

The Group 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.

(c) Other income pertains to the Group’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 in the amount of \$22,682 and \$13,749, respectively.

(4) Key management compensation

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 20,713	\$ 16,150

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

Item	Book Value		Purpose
	December 31, 2021	December 31, 2020	
Property, plant and equipment	\$ 135,861	\$ 136,561	Security for short-term borrowings
Inventories (Held-to-maturity land)	17,610	17,610	Security for short-term borrowings
	<u>\$ 153,471</u>	<u>\$ 154,171</u>	

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) Endorsements and guarantees

As of December 31, 2021, in order to assist the subsidiaries is obtaining credit line, the Group has guaranteed the following amounts for subsidiaries:

<u>Name of company</u>	<u>December 31, 2021</u>
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 913,440
Formosa Taffeta Vietnam Co., Ltd.	1,467,040
Formosa Taffeta (Changshu) Co., Ltd.	1,522,400
Formosa Taffeta Dong Nai Co., Ltd.	3,473,840
Formosa HA TINH (Cayman) Limited	2,209,563

- (3) Contingencies - Significant 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 EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(20) G 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 Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group 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, non-current borrowings and short-term notes and 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.

During the year ended December 31, 2021, the Group's strategy was unchanged from 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	\$ 13,167,168	\$ 12,723,205
Less: Cash and cash equivalents	(3,471,141)	(3,083,322)
Net debt	9,696,027	9,639,883
Total equity	62,243,859	61,483,588
Total capital	<u>\$ 71,939,886</u>	<u>\$ 71,123,471</u>
Gearing ratio	<u>13%</u>	<u>14%</u>

(3) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<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	7,582,879	6,645,741
	<u>\$ 49,584,408</u>	<u>\$ 48,088,401</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ -	\$ 137
Financial liabilities at amortized cost	16,830,329	15,994,687
Lease liabilities	811,333	783,043
	<u>\$ 17,641,662</u>	<u>\$ 16,777,867</u>

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties), current financial assets at amortized cost 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 Group'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 Group 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. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group'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 Group's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities is as follows:

	December 31, 2021		
	Foreign Currency		Book Value
	Amount (In Thousands)	Exchange Rate	(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
USD:RMB	22,799	6.38	631,304
USD:VND	37,975	22,771.38	1,051,528
<u>Non-monetary items</u>			
VND:NTD	5,299,065,790	0.0012	6,358,879
RMB:NTD	694,474	4.34	3,014,017
HKD:NTD	339,811	3.54	1,202,931
CHF:NTD	34,147	30.18	1,030,556
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	107,192	22,771.38	2,968,146
December 31, 2020			
	Foreign Currency		Book Value
	Amount (In Thousands)	Exchange Rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 71,317	\$ 28.51	\$ 2,033,248
USD:VND	22,503	23,103.73	641,561
USD:RMB	23,305	6.53	664,426
<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
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	106,046	23,103.73	3,023,371

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to (\$80,111) and (\$72,570), 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	-
USD:RMB	1%	6,313	-
USD:VND	1%	10,515	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	63,589
RMB:NTD	1%	-	30,140
HKD:NTD	1%	-	12,029
CHF:NTD	1%	-	10,306
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	1%	29,681	-
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	\$ -
USD:VND	1%	6,416	-
USD:RMB	1%	6,644	-
<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
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	1%	30,234	-

Price risk

- i. The Group'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 and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group'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 and \$0, respectively, 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 Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 30, 2021 and 2020, the Group's borrowings at variable rate were denominated in the NTD and USD.
 - ii. The Group'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 \$77,600 and \$71,200, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
 - iv. If the borrowing interest rate of USD 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 \$0 and \$455, 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 Group 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 Group 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 Group's credit policy, each local entity in the Group 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 Group 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 Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group 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 is as follows:

	Up to 30 Not past due	31~90 days days past due	31~90 days past due	Over 90 days past due	Total
<u>At December 31,</u>					
<u>2021</u>					
Expected loss rate	1%	6%	70%	100%	
Total book value	\$ 3,562,781	\$ 81,194	\$ 21,801	\$ 18,387	\$ 3,684,163
Loss allowance	24,501	4,682	15,225	18,387	62,795
	Up to 30 Not past due	31~90 days days past due	31~90 days past due	Over 90 days past due	Total
<u>At December 31,</u>					
<u>2020</u>					
Expected loss rate	2%	11%	93%	100%	
Total book value	\$ 3,170,562	\$ 29,715	\$ 5,862	\$ 5,138	\$ 3,211,277
Loss allowance	49,333	3,122	5,462	5,138	63,055

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

	2021	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 63,055)
Effect of foreign exchange	-	260
At December 31	\$ -	(\$ 62,795)
	2020	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 63,235)
Effect of foreign exchange	-	180
At December 31	\$ -	(\$ 63,055)

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable

securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2021 and 2020, the Group held money market position of \$45,379,025 and \$44,464,449, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group'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.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Long-term borrowings (including current portion)				
December 31, 2021	\$ -	\$ 9,777,005	\$ -	\$ -
December 31, 2020	56,822	8,000,000	900,000	-
	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Lease liability				
December 31, 2021	\$ 82,334	\$ 155,586	\$ 262,668	\$ 310,745
December 31, 2020	100,957	115,729	260,377	305,980

(d) The Group 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 estimation

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

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- 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 consolidated 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 Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income		1,970,397
At December 31	<u>\$</u>	<u>4,880,688</u>
	<u>Year ended December 31, 2020</u>	
	<u>Non-derivative equity instruments</u>	
At January 1	\$	4,191,338
Acquired during the year		129,100
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	1,468,986)
Transfers out from level 3	(	196,389)
Effect of exchange rate changes		254,678
At December 31	<u>\$</u>	<u>2,909,741</u>

F. 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 ensures 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.

G. 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 operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, 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 operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, 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

H. The Group 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:

		<u>December 31, 2021</u>	
		Recognized in other comprehensive income	
		<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets	<u>Input</u>	<u>Change</u>	
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
		<u>December 31, 2020</u>	
		Recognized in other comprehensive income	
		<u>Favourable change</u>	<u>Unfavourable change</u>
Equity instrument	<u>Input</u>	<u>Change</u>	
	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	
		\$ 870	\$ 870

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- 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: None.
- 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 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(14) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

A. The Group operates and sets policies from product and service perspective; thus, management also identifies reportable segments using the same method.

B. The Group has three reportable segments: First business group, Second business group consisting of Cord fabric department and Gasoline department. Details are as follows:

(a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries—Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Hong Kong) Co., Ltd., etc.

(b) Cord fabric department: Mainly produces and provides tire cords.

(c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

(2) Measurement of segment information

The measurement based on each operating segment's profit before tax excludes the effects of non-recurring expenditure, i.e. from the unrealized gain or loss on financial instruments. Furthermore, interest income and expense are not allocated to operating segments.

(3) Information about segment profit or loss and assets

	Year ended December 31, 2021					
	Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	Adjustment and write-off	Total
<u>Segment revenue</u>						
Revenue from						
external customers	\$ 13,020,105	\$ 7,043,603	\$ 10,811,504	\$ 1,923,795	\$ -	\$ 32,799,007
Inter-segment revenue	1,278,452	159,581	-	139,332	(1,577,365)	-
Total segment revenue	<u>\$ 14,298,557</u>	<u>\$ 7,203,184</u>	<u>\$ 10,811,504</u>	<u>\$ 2,063,127</u>	<u>(\$ 1,577,365)</u>	<u>\$ 32,799,007</u>
Segment income	<u>\$ 1,761,890</u>	<u>\$ 669,255</u>	<u>\$ 439,006</u>	<u>\$ 45,206</u>	<u>(\$ 528,002)</u>	<u>\$ 2,387,355</u>
<u>Segment assets</u>						
Identifiable assets	<u>\$ 13,211,443</u>	<u>\$ 5,808,160</u>	<u>\$ 1,188,346</u>	<u>\$ 3,471,833</u>	<u>(\$ 386,032)</u>	<u>\$ 23,293,750</u>
Investments using the equity method						9,555,195
General assets						48,493,243
Total assets						<u>\$ 81,342,188</u>

Year ended December 31, 2020

	Second business group					Discontinued operations	Total
	First business group	Cord fabric department	Gasoline department	Other segment	Adjustment and write-off		
<u>Segment revenue</u>							
Revenue from external customers	\$ 11,811,388	\$ 6,126,786	\$ 9,414,248	\$ 1,448,625	\$ -	(\$ 17,555)	\$ 28,783,492
Inter-segment revenue	904,443	95,723	-	177,621	(1,177,787)	-	-
Total segment revenue	<u>\$ 12,715,831</u>	<u>\$ 6,222,509</u>	<u>\$ 9,414,248</u>	<u>\$ 1,626,246</u>	<u>(\$ 1,177,787)</u>	<u>(\$ 17,555)</u>	<u>\$ 28,783,492</u>
Segment income	<u>\$ 2,200,850</u>	<u>(\$ 209,027)</u>	<u>\$ 394,596</u>	<u>\$ 71,318</u>	<u>(\$ 195,659)</u>	<u>\$ 484</u>	<u>\$ 2,262,562</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 12,691,530</u>	<u>\$ 5,333,901</u>	<u>\$ 1,319,306</u>	<u>\$ 3,407,195</u>	<u>(\$ 266,845)</u>	<u>\$ -</u>	<u>\$ 22,485,087</u>
Investments using the equity method							9,626,525
General assets							47,350,446
Total assets							<u>\$ 79,462,058</u>

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

B. The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

(5) Information on product and service

Please refer to Note 6(22).

(6) Geographical information

	Year ended December 31, 2021				
	<u>Internal</u>	<u>Asia</u>	<u>Adjustment and write-off</u>	<u>Discontinued operations</u>	<u>Consolidated</u>
Revenue from customers other than parent company and consolidated subsidiaries	\$ 24,241,524	\$ 8,557,483	\$ -	\$ -	\$ 32,799,007
Revenue from parent company and consolidated subsidiaries	340,474	1,236,892	(1,577,366)	-	-
Total revenue	<u>\$ 24,581,998</u>	<u>\$ 9,794,375</u>	<u>(\$ 1,577,366)</u>	<u>\$ -</u>	<u>\$ 32,799,007</u>
Segment income (loss)	<u>\$ 2,370,977</u>	<u>\$ 544,380</u>	<u>(\$ 528,002)</u>	<u>\$ -</u>	<u>\$ 2,387,355</u>
Identifiable assets	<u>\$ 15,574,692</u>	<u>\$ 8,105,090</u>	<u>(\$ 386,032)</u>	<u>\$ -</u>	<u>\$ 23,293,750</u>
Investments accounted for under the equity method					9,555,195
General assets					<u>48,493,243</u>
					<u>\$ 81,342,188</u>

	Year ended December 31, 2020				
	<u>Internal</u>	<u>Asia</u>	<u>Adjustment and write-off</u>	<u>Discontinued operations</u>	<u>Consolidated</u>
Revenue from customers other than parent company and consolidated subsidiaries	\$ 21,347,348	\$ 7,453,699	\$ -	(\$ 17,555)	\$ 28,783,492
Revenue from parent company and consolidated subsidiaries	235,782	942,005	(1,177,787)	-	-
Total revenue	<u>\$ 21,583,130</u>	<u>\$ 8,395,704</u>	<u>(\$ 1,177,787)</u>	<u>(\$ 17,555)</u>	<u>\$ 28,783,492</u>
Segment income (loss)	<u>\$ 2,038,883</u>	<u>\$ 418,854</u>	<u>(\$ 195,659)</u>	<u>\$ 484</u>	<u>\$ 2,262,562</u>
Identifiable assets	<u>\$ 14,719,798</u>	<u>\$ 8,032,135</u>	<u>(\$ 266,846)</u>	<u>\$ -</u>	<u>\$ 22,485,087</u>
Investments accounted for under the equity method					9,626,525
General assets					<u>47,350,446</u>
					<u>\$ 79,462,058</u>

(7) Major customer information

None.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
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 monthly	-	-	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)
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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	Accounts payable	(28,958) (	40.66)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	Accounts payable	(125,968)	(53.94)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	431,076	13.38	60 days after monthly	-	-	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 monthly	-	-	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. AND SUBSIDIARIES
 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. AND SUBSIDIARIES
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			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for the year	recognized by the	
				December 31, 2021	December 31, 2020				ended December 31, 2021	company for the year	
								(Note 2(2))	(Note 2(3))		
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. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
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 aforesaid 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. AND SUBSIDIARIES

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 audited 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 Fushun Enterprise Management Co., Ltd. in the third quarter of 2015, with Chang Shu Yu Yuan Development Co., Ltd. as 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 Fushun 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. AND SUBSIDIARIES

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 December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021	Others
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. AND SUBSIDIARIES

Information on Major Shareholders

December 31, 2021

Table 9

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

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

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.

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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

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	Notes	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		<u>11,057,686</u>	<u>14</u>	<u>9,783,820</u>	<u>13</u>
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		<u>65,642,311</u>	<u>86</u>	<u>65,017,942</u>	<u>87</u>
1XXX	Total assets		<u>\$ 76,699,997</u>	<u>100</u>	<u>\$ 74,801,762</u>	<u>100</u>

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
			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		<u>3,332,225</u>	<u>4</u>	<u>3,073,268</u>	<u>4</u>
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		<u>11,123,913</u>	<u>15</u>	<u>10,244,906</u>	<u>14</u>
2XXX	Total liabilities		<u>14,456,138</u>	<u>19</u>	<u>13,318,174</u>	<u>18</u>
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		<u>62,243,859</u>	<u>81</u>	<u>61,483,588</u>	<u>82</u>
	Commitments and contingent liabilities	9				
	Subsequent event	11				
3X2X	Total liabilities and equity		<u>\$ 76,699,997</u>	<u>100</u>	<u>\$ 74,801,762</u>	<u>100</u>

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)

Items	Notes	Year ended December 31				
		2021		2020		
		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		<u>2,849,599</u>	<u>11</u>	<u>2,104,229</u>	<u>10</u>
	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		<u>865,618</u>	<u>3</u>	<u>243,559</u>	<u>1</u>
	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)	<u>1,136,130</u>	<u>5</u>	<u>691,007</u>	<u>3</u>
7000	Total non-operating income and expenses		<u>1,400,575</u>	<u>6</u>	<u>1,946,664</u>	<u>9</u>
7900	Profit before income tax		<u>2,266,193</u>	<u>9</u>	<u>2,190,223</u>	<u>10</u>
7950	Income tax expense	6(25)	(123,026)	-	(94,675)	-
8200	Profit for the year		<u>\$ 2,143,167</u>	<u>9</u>	<u>\$ 2,095,548</u>	<u>10</u>
	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		<u>73,605</u>	-	<u>2,390,053</u>	<u>11</u>
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>494,142</u>	<u>2</u>	<u>(436,196)</u>	<u>(2)</u>
	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		<u>\$ 297,081</u>	<u>1</u>	<u>(\$ 626,986)</u>	<u>(3)</u>
8500	Total comprehensive income for the year		<u>\$ 2,440,248</u>	<u>10</u>	<u>\$ 1,468,562</u>	<u>7</u>
			<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
9750	Basic and diluted earnings per share	6(26)	<u>\$ 1.35</u>	<u>\$ 1.27</u>	<u>\$ 1.30</u>	<u>\$ 1.25</u>
	Assuming shares held by subsidiaries are not deemed as treasury stock:					
	Basic and diluted earnings per share		<u>\$ 1.35</u>	<u>\$ 1.27</u>	<u>\$ 1.30</u>	<u>\$ 1.24</u>

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)

Notes	Capital Reserves						Retained Earnings			Other Equity Interest			Treasury stocks	Total equity
	Share capital - common stock	Treasury stock transactions	Capital surplus, changes in ownership interests in subsidiaries	Donated assets received	Change in net equity of associates and joint ventures accounted for using equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
Year ended December 31, 2020														
	\$ 16,846,646	\$ 31,097	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 5,587	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	(\$ 1,055,651)	\$ 26,065,808	(\$ 19,064)	\$ 64,219,249	
	-	-	-	-	-	-	-	-	2,095,548	-	-	-	2,095,548	
6(17)	-	-	-	-	-	-	-	-	108,781	(190,790)	(544,977)	-	(626,986)	
	-	-	-	-	-	-	-	-	2,204,329	(190,790)	(544,977)	-	1,468,562	
Appropriations of 2019 earnings: 6(16)														
	-	-	-	-	-	-	518,872	-	(518,872)	-	-	-	-	
	-	-	-	-	-	-	-	-	(4,211,662)	-	-	-	(4,211,662)	
	-	-	-	-	-	(144)	-	-	-	-	-	-	(144)	
	-	5,483	-	-	-	-	-	-	-	-	-	-	5,483	
6(3)	-	-	-	-	-	-	-	-	(80,823)	-	80,823	-	-	
	-	-	-	-	-	2,100	-	-	-	-	-	-	2,100	
	\$ 16,846,646	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$ 19,064)	\$ 61,483,588	
Year ended December 31, 2021														
	\$ 16,846,646	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$ 19,064)	\$ 61,483,588	
	-	-	-	-	-	-	-	-	2,143,167	-	-	-	2,143,167	
6(17)	-	-	-	-	-	-	-	-	(142,262)	(197,061)	636,404	-	297,081	
	-	-	-	-	-	-	-	-	2,000,905	(197,061)	636,404	-	2,440,248	
Appropriations of 2020 earnings: 6(16)														
	-	-	-	-	-	-	212,351	-	(212,351)	-	-	-	-	
	-	-	-	-	-	-	-	-	(1,684,665)	-	-	-	(1,684,665)	
	-	-	-	-	-	(97)	-	-	-	-	-	-	(97)	
	-	2,193	-	-	-	-	-	-	-	-	-	-	2,193	
	-	-	-	-	-	2,592	-	-	-	-	-	-	2,592	
	-	-	-	-	-	-	-	-	16,678	-	(16,678)	-	-	
	\$ 16,846,646	\$ 38,773	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 10,038	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502)	\$ 26,221,380	(\$ 19,064)	\$ 62,243,859	

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)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
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		<u>2,237,271</u>	<u>2,766,337</u>

(Continued)

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)

	Notes	Year ended December 31	
		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)	\$ 2,383,268	\$ 1,901,429

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:

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
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

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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	<u>\$ 12,302,014</u>	<u>\$ 11,815,167</u>
Share in associate's net assets	\$ 3,774,618	\$ 3,625,240
Difference	<u>1,360,740</u>	<u>1,360,740</u>
Carrying amount of the associate	<u>\$ 5,135,358</u>	<u>\$ 4,985,980</u>
	<u>Formosa Industry Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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	<u>\$ 17,357,538</u>	<u>\$ 18,821,593</u>
Share in associate's net assets	\$ 1,735,754	\$ 1,882,160
Difference	<u>90,134</u>	<u>90,134</u>
Carrying amount of the associate	<u>\$ 1,825,888</u>	<u>\$ 1,972,294</u>

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<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:

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

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

<u>Items</u>	<u>Significant components</u>	<u>Estimated useful lives</u>
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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use asset - land	\$ 744,479	\$ 717,814

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Right-of-use asset - land	<u>Depreciation charge</u> \$ 143,154	<u>Depreciation charge</u> \$ 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:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<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	Decrease	Increase	Decrease
	0.25%	0.25%	1.00%	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):

<u>Reason for reacquisition</u>	<u>Investee company</u>	2021			<u>Ending Shares</u>
		<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal</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
<u>Reason for reacquisition</u>	<u>Investee company</u>	2020			<u>Ending Shares</u>
		<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal</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	\$ 26,221,380	(\$ 1,443,502)

	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	2,796	1,740
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
	<u>103,811</u>	<u>(31,935)</u>	<u>-</u>	<u>71,876</u>
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)
	<u>(399,959)</u>	<u>50,539</u>	<u>-</u>	<u>(349,420)</u>
	<u>(\$ 296,148)</u>	<u>\$ 18,604</u>	<u>\$ -</u>	<u>(\$ 277,544)</u>
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
	<u>138,816</u>	<u>(35,005)</u>	<u>-</u>	<u>103,811</u>
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)
	<u>(377,609)</u>	<u>(22,350)</u>	<u>-</u>	<u>(399,959)</u>
	<u>(\$ 238,793)</u>	<u>(\$ 57,355)</u>	<u>\$ -</u>	<u>(\$ 296,148)</u>

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
Net income	<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
Net income	<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
Net income	<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
Net income	<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)	
(Shoeller F.T.C (Hong Kong) Co., Ltd.)	Other Related Party
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 Indurtrial 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</u>	<u>Gain</u>
	<u>proceeds</u>	<u>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:

	<u>Land</u>	<u>Building and structures</u>	<u>Total</u>
<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>
	<u>Land</u>	<u>Building and structures</u>	<u>Total</u>
<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

	<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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.

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

(g) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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):

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ 1,473</u>	<u>\$ 1,283</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 227</u>	<u>\$ 379</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<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	<u>4,868,393</u>	<u>4,172,275</u>
	<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			
<u>Degree of variation</u>	<u>Effect on</u>	<u>profit or loss</u>	<u>Effect on other</u>
			<u>comprehensive</u>
			<u>income</u>
<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			
<u>Degree of variation</u>	<u>Effect on</u>	<u>profit or loss</u>	<u>Effect on other</u>
			<u>comprehensive</u>
			<u>income</u>
<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.

(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:

	Listed shares
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:

	Year ended December 31, 2021
	Non-derivative equity instruments
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	\$ 4,880,688
	Year ended December 31, 2020
	Non-derivative equity instruments
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	\$ 2,909,741

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:

			<u>December 31, 2021</u>	
			Recognized in other comprehensive income	
			Favourable	Unfavourable
	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%	<u>\$ 1,273</u>	<u>\$ 1,273</u>
			<u>December 31, 2020</u>	
			Recognized in other comprehensive income	
			Favourable	Unfavourable
	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%	<u>\$ 3,369</u>	<u>\$ 3,369</u>

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)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
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 monthly	-	-	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)
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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	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)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	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 monthly	-	-	Accounts payable	(125,968) (	53.94)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	431,076	13.38	60 days after monthly	-	-	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 monthly	-	-	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		
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

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for the year	recognized by the	
				December 31, 2021	December 31, 2020				ended December 31, 2021	company for the year	
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

Expressed in thousands of NTD (Except as otherwise indicated)											
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for the year	recognized by the	
				December 31, 2021	December 31, 2020				ended December 31, 2021	company for the year	
								(Note 2(2))	(Note 2(3))		
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 Fushun 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 Fushun 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 December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021	Others
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		Ownership (%)
	Name of shares held		
FORMOSA CHEMICALS & FIBRE CORPORATION		630,022,431	37.40
CHANG GUNG MEDICAL FOUNDATION		97,599,254	5.79

Formosa Taffeta Co., Ltd.
Chairman: Wong Wen-yuan

Published on May 18, 2022