

FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS'
REPORT
DECEMBER 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Formosa Taffeta Co., Ltd. (the "Company") as at December 31, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of 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, 2022, the Company's accounts receivable amounted to NT\$1,647,730 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, 2022, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$6,303,999 thousand and NT\$537,333 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\$8,486,274 thousand and NT\$7,972,893 thousand, constituting 12% and 10% of total assets as of December 31, 2022 and 2021, respectively, and comprehensive income was NT\$14,907 thousand and NT\$749,957 thousand, constituting (1%) and 31% of total comprehensive (loss) 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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.

Juanlu, Man-Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 3, 2023

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,874,339	6	\$ 2,383,268	3
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,225,249	2	1,489,451	2
1150	Notes receivable, net	6(4)	72,548	-	57,955	-
1160	Notes receivable-related parties	7	8,147	-	8,506	-
1170	Accounts receivable, net	6(4)	1,647,730	3	2,069,651	3
1180	Accounts receivable-related parties	7	174,169	-	165,496	-
1200	Other receivables		218,778	-	183,517	-
130X	Inventory	6(5)	5,766,666	8	4,392,093	6
1410	Prepayments		41,039	-	153,671	-
1470	Other current assets		189,465	-	154,078	-
11XX	Total current assets		<u>13,218,130</u>	<u>19</u>	<u>11,057,686</u>	<u>14</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	32,135,448	45	40,512,078	53
1550	Investments accounted for using equity method	6(6)	18,430,889	26	17,451,181	23
1600	Property, plant and equipment	6(7) and 7	5,865,967	8	6,054,424	8
1755	Right-of-use assets	6(8)	826,970	1	744,479	1
1760	Investment property, net	7	463,132	1	485,103	1
1840	Deferred income tax assets	6(25)	102,189	-	71,876	-
1990	Other non-current assets		356,228	-	323,170	-
15XX	Total non-current assets		<u>58,180,823</u>	<u>81</u>	<u>65,642,311</u>	<u>86</u>
1XXX	Total assets		<u>\$ 71,398,953</u>	<u>100</u>	<u>\$ 76,699,997</u>	<u>100</u>

(Continued)

FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 14,035	-	\$ 31,236	-
2110	Short-term notes and bills payable	6(10)	1,299,227	2	299,941	-
2120	Financial liabilities at fair value	6(11)				
	through profit or loss - current		2,826	-	-	-
2150	Notes payable		127,398	-	130,690	-
2160	Notes payable - related parties	7	186,163	-	318,401	1
2170	Accounts payable		550,969	1	647,539	1
2180	Accounts payable - related parties	7	1,024,264	2	722,715	1
2200	Other payables	7	885,027	1	818,631	1
2230	Current income tax liabilities		294,218	1	145,112	-
2280	Current lease liabilities		140,194	-	80,798	-
2399	Other current liabilities		168,653	-	137,162	-
21XX	Total current liabilities		<u>4,692,974</u>	<u>7</u>	<u>3,332,225</u>	<u>4</u>
Non-current liabilities						
2540	Long-term borrowings	6(12)	9,600,000	13	9,700,000	13
2570	Deferred income tax liabilities	6(25)	325,309	1	349,420	-
2580	Non-current lease liabilities		697,547	1	672,222	1
2670	Other non-current liabilities		315,908	-	402,271	1
25XX	Total non-current liabilities		<u>10,938,764</u>	<u>15</u>	<u>11,123,913</u>	<u>15</u>
2XXX	Total liabilities		<u>15,631,738</u>	<u>22</u>	<u>14,456,138</u>	<u>19</u>
Equity						
	Share capital	6(14)				
3110	Common stock		16,846,646	24	16,846,646	22
	Capital surplus	6(15)				
3200	Capital surplus		1,338,658	2	1,301,769	2
	Retained earnings	6(16)				
3310	Legal reserve		8,974,316	12	8,772,558	11
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		9,908,042	14	8,349,494	11
	Other equity interest	6(17)				
3400	Other equity interest		16,504,039	23	24,777,878	32
3500	Treasury shares		(19,064)	-	(19,064)	-
3XXX	Total equity		<u>55,767,215</u>	<u>78</u>	<u>62,243,859</u>	<u>81</u>
	Commitments and contingent liabilities	9				
	Subsequent event	11				
3X2X	Total liabilities and equity		<u>\$ 71,398,953</u>	<u>100</u>	<u>\$ 76,699,997</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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

				Year ended December 31			
Items		Notes		2022		2021	
				AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(18) and 7		\$ 26,182,568	100	\$ 24,490,081	100
5000	Operating costs	6(5)(22)(23) and 7		(23,424,921)	(89)	(21,640,482)	(89)
5900	Net operating margin			<u>2,757,647</u>	<u>11</u>	<u>2,849,599</u>	<u>11</u>
	Operating expenses	6(22)(23) and 7					
6100	Selling expenses			(1,437,115)	(6)	(1,428,737)	(6)
6200	General and administrative expenses			(522,101)	(2)	(555,244)	(2)
6000	Total operating expenses			<u>(1,959,216)</u>	<u>(8)</u>	<u>(1,983,981)</u>	<u>(8)</u>
6900	Operating profit			<u>798,431</u>	<u>3</u>	<u>865,618</u>	<u>3</u>
	Non-operating income and expenses						
7100	Interest income	6(19)		44,300	-	2,016	-
7010	Other income	6(20)		1,698,964	6	516,953	2
7020	Other gains and losses	6(21)		300,318	1	(174,382)	(1)
7050	Finance costs	6(24)		(123,143)	-	(80,142)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)		<u>924,432</u>	<u>4</u>	<u>1,136,130</u>	<u>5</u>
7000	Total non-operating income and expenses			<u>2,844,871</u>	<u>11</u>	<u>1,400,575</u>	<u>6</u>
7900	Profit before income tax			<u>3,643,302</u>	<u>14</u>	<u>2,266,193</u>	<u>9</u>
7950	Income tax expense	6(25)		(238,321)	(1)	(123,026)	-
8200	Profit for the year			<u>\$ 3,404,981</u>	<u>13</u>	<u>\$ 2,143,167</u>	<u>9</u>
	Other comprehensive income	6(17)					
	Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Actuarial gains (losses) on defined benefit plan			\$ 43,056	-	(\$ 137,864)	-
8316	Unrealized (losses) gains on valuation of financial assets at fair value through other comprehensive income			(8,640,330)	(33)	558,401	2
8330	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method			(274,172)	(1)	73,605	-
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss			<u>(8,871,446)</u>	<u>(34)</u>	<u>494,142</u>	<u>2</u>
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences on translation			592,034	3	(194,287)	(1)
8380	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method			45,563	-	(2,774)	-
8360	Other comprehensive income (loss) that will be reclassified to profit or loss			<u>637,597</u>	<u>3</u>	<u>(197,061)</u>	<u>(1)</u>
8300	Other comprehensive (loss) income for the year			<u>(\$ 8,233,849)</u>	<u>(31)</u>	<u>\$ 297,081</u>	<u>1</u>
8500	Total comprehensive (loss) income for the year			<u>(\$ 4,828,868)</u>	<u>(18)</u>	<u>\$ 2,440,248</u>	<u>10</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>\$ 2.17</u>	<u>\$ 2.02</u>	<u>\$ 1.35</u>	<u>\$ 1.27</u>
	Assuming shares held by subsidiaries are not deemed as treasury stock:						
	Basic and diluted earnings per share			<u>\$ 2.16</u>	<u>\$ 2.02</u>	<u>\$ 1.35</u>	<u>\$ 1.27</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, 2022 AND 2021
(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	Changes 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	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			
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	
Year ended December 31, 2022														
	\$ 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	
	-	-	-	-	-	-	-	-	3,404,981	-	-	-	3,404,981	
6(17)	-	-	-	-	-	-	-	-	39,695	637,597	(8,911,141)	-	(8,233,849)	
	-	-	-	-	-	-	-	-	3,444,676	637,597	(8,911,141)	-	(4,828,868)	
Appropriations of 2021 earnings:														
	-	-	-	-	-	-	201,758	-	(201,758)	-	-	-	-	
	-	-	-	-	-	-	-	-	(1,684,665)	-	-	-	(1,684,665)	
	-	-	-	-	-	(21)	-	-	-	-	-	-	(21)	
	-	2,193	-	-	-	-	-	-	-	-	-	-	2,193	
	-	-	-	-	-	3,537	-	-	-	-	-	-	3,537	
	-	-	-	-	31,180	-	-	-	(207)	-	207	-	31,180	
	-	-	-	-	-	-	-	-	502	-	(502)	-	-	
	\$ 16,846,646	\$ 40,966	\$ 1,650	\$ 2,032	\$ 1,280,456	\$ 13,554	\$ 8,974,316	\$ 2,214,578	\$ 9,908,042	(\$ 805,905)	\$ 17,309,944	(\$ 19,064)	\$ 55,767,215	

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,643,302	\$ 2,266,193
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including depreciation on investment property)	6(7)(8)(22)	807,510	808,112
Interest expense	6(24)	123,143	80,142
Interest income	6(19)	(44,300)	(2,016)
Dividend income	6(20)	(1,509,242)	(280,873)
Loss on valuation of financial assets	6(21)	-	82
Loss (gain) on valuation of financial liabilities	6(21)	2,826	(137)
Share of profit of associates and joint ventures accounted for using the equity method	6(6)	(924,432)	(1,136,130)
Gain on disposal and scrap of property, plant and equipment	6(21)	(6,460)	(154)
Realized gain on disposal and scrap of property, plant and equipment, net	6(21)	(1,572)	(5,757)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(14,593)	(14,940)
Notes receivable - related parties		359	(4,246)
Accounts receivable, net		421,921	(234,832)
Accounts receivable - related parties		(8,673)	(48,814)
Other receivables		(40,526)	88,220
Inventory		(1,374,573)	(554,741)
Prepayments		112,632	(35,724)
Other current assets		(35,387)	91,717
Changes in operating liabilities			
Notes payable		(3,292)	(2,806)
Notes payable - related parties		(132,238)	190,791
Accounts payable		(96,570)	73,360
Accounts payable - related parties		301,549	68,312
Other payables		(2,171)	67,587
Other current liabilities		31,491	13,058
Other non-current liabilities		(43,306)	(55,718)
Cash inflow generated from operations		1,207,398	1,370,686
Interest received		50,170	2,349
Dividends received		2,068,840	996,714
Interest paid		(112,449)	(73,571)
Income tax paid		(143,638)	(58,907)
Net cash flows from operating activities		<u>3,070,321</u>	<u>2,237,271</u>

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FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Return of capital upon dissolution of financial assets at fair value through other comprehensive income		\$ 502	\$ -
Acquisition of investment accounted for using the equity method		(216,504)	-
Acquisition of property, plant and equipment	6(27)	(424,858)	(390,693)
Proceeds from disposal of property, plant and equipment		11,280	1,892
Increase in other non-current assets		(33,059)	(159,879)
Net cash flows used in investing activities		(662,639)	(548,680)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(28)	(17,201)	26,453
Increase (decrease) in short-term notes and bills payable	6(28)	999,286	(200,038)
Payment of lease principal		(152,733)	(148,660)
Increase in long-term borrowings	6(28)	14,500,000	10,300,000
Payment of long-term borrowings	6(28)	(14,600,000)	(9,500,000)
Payment of cash dividends		(1,645,963)	(1,684,507)
Net cash flows used in financing activities		(916,611)	(1,206,752)
Net increase in cash and cash equivalents		1,491,071	481,839
Cash and cash equivalents at beginning of year	6(1)	2,383,268	1,901,429
Cash and cash equivalents at end of year	6(1)	\$ 3,874,339	\$ 2,383,268

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, 2022 AND 2021

(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.

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 3, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

(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 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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 that came into effect 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 the estimated cost necessary to make the sale.

(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, 2022, the carrying amount of inventories was \$5,766,666.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 98,453	\$ 91,377
Checking accounts and demand deposits	860,542	670,565
Time deposits	2,487,510	1,475,344
Cash equivalents - Commercial paper	427,834	145,982
	<u>\$ 3,874,339</u>	<u>\$ 2,383,268</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, 2022 is USD 8,426 thousand equivalent to \$258,872.

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

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

A. As of December 31, 2022 and 2021: None.

B. For the years ended December 31, 2022 and 2021, the Company recognized \$0 and (\$82) in loss in relation to financial assets at fair value through profit or loss, respectively.

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

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</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	224,964	489,166
	<u>\$ 1,225,249</u>	<u>\$ 1,489,451</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,125
Unlisted stocks	6,647,666	6,647,666
	<u>14,810,791</u>	<u>14,810,791</u>
Valuation adjustment	17,324,657	25,701,287
	<u>\$ 32,135,448</u>	<u>\$ 40,512,078</u>

- A. The Company has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$33,360,697 and \$42,001,529 as at December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive (loss) income	(\$ 8,640,330)	\$ 558,401
Cumulative gains reclassified to retained earnings due to derecognition	(\$ 502)	-

- C. As at December 31, 2022 and 2021, 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 \$33,360,697 and \$42,001,529, respectively.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 72,548	\$ 57,955
Accounts receivable	\$ 1,679,408	\$ 2,101,329
Less: Allowance for uncollectible accounts	(31,678)	(31,678)
	<u>\$ 1,647,730</u>	<u>\$ 2,069,651</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 1,692,882	\$ 2,120,579
Up to 30 days	37,151	33,254
31 to 90 days	18,376	22
Over 90 days	3,547	5,429
	<u>\$ 1,751,956</u>	<u>\$ 2,159,284</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,909,512.
- C. As at December 31, 2022 and 2021, 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 \$72,548 and \$57,955, and accounts receivable were \$1,647,730 and \$2,069,651, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 506,398	(\$ 23,937)	\$ 482,461
Supplies	159,719	(795)	158,924
Work in process	2,342,834	-	2,342,834
Finished goods	2,608,292	(512,601)	2,095,691
Merchandise inventory	265,412	-	265,412
Materials in transit	298,744	-	298,744
Outsourced processed materials	122,600	-	122,600
	<u>\$ 6,303,999</u>	<u>(\$ 537,333)</u>	<u>\$ 5,766,666</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 462,340	(\$ 11,123)	\$ 451,217
Supplies	67,415	(1,187)	66,228
Work in process	1,819,227	-	1,819,227
Finished goods	2,052,936	(437,948)	1,614,988
Merchandise inventory	214,886	-	214,886
Materials in transit	125,281	-	125,281
Outsourced processed materials	100,266	-	100,266
	<u>\$ 4,842,351</u>	<u>(\$ 450,258)</u>	<u>\$ 4,392,093</u>

The cost of inventories recognized as expense for the years ended December 31, 2022 and 2021 were as follows:

	Years ended December 31,	
	2022	2021
Cost of inventories sold	\$ 23,002,757	\$ 21,583,094
Service cost	192,023	180,006
Idle capacity	103,072	-
Gain on inventory valuation (Note 1)	87,075	(167,630)
Others (Note 2)	39,994	45,012
	<u>\$ 23,424,921</u>	<u>\$ 21,640,482</u>

Note 1: Gain on inventory for the year ended December 31, 2021 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Formosa Advanced Technologies Co., Ltd.	\$ 5,260,936	\$ 5,135,358
Formosa Taffeta Dong Nai Co., Ltd.	2,908,996	2,524,546
Formosa Taffeta Vietnam Co., Ltd.	2,332,278	2,095,015
Taffeta (Zhong Shan) Co, Ltd.	2,185,356	1,923,461
Formosa Industry Co., Ltd.	1,626,376	1,825,888
Quang Viet Enterprise Co., Ltd.	1,427,806	1,237,283
Formosa Taffeta (Hong Kong) Co., Ltd.	1,213,683	1,202,931
Schoeller Textil AG	1,096,100	1,030,378
Formosa Development Co., Ltd.	188,540	186,160
Nan Ya Photonics Inc.	190,818	290,161
	<u>\$ 18,430,889</u>	<u>\$ 17,451,181</u>

B. The investment income (loss) on subsidiaries and associates accounted for using equity method for the years ended December 31, 2022 and 2021 was as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Formosa Advanced Technologies Co., Ltd.	\$ 630,622	\$ 477,748
Formosa Taffeta Dong Nai Co., Ltd.	(11,187)	335,275
Formosa Taffeta Vietnam Co., Ltd.	87,853	37,801
Taffeta (Zhong Shan) Co, Ltd.	234,151	144,023
Quang Viet Enterprise Co., Ltd.	211,005	144,254
Formosa Industry Co., Ltd.	(194,158)	140,286
Formosa Taffeta (Hong Kong) Co., Ltd.	(22,211)	26,029
Schoeller Textil AG	(39,690)	(169,034)
Nan Ya Photonics Inc.	22,064	14,594
Formosa Development Co., Ltd.	5,983	(14,846)
	<u>\$ 924,432</u>	<u>\$ 1,136,130</u>

C. The share of income of subsidiaries and associates accounted for using the equity method of \$115,577 and \$672,210 for the years ended December 31, 2022 and 2021, 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 2022 consolidated financial statements.

- (b) As at December 31, 2022 and 2021, 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, 2022	December 31, 2021		
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) 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.
- (d) The summarized financial information of the associates that are material to the Company is shown below:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	\$ 10,767,937	\$ 9,538,767
Non-current assets	4,001,646	4,693,324
Current liabilities	(1,403,500)	(1,402,448)
Non-current liabilities	(654,794)	(527,629)
Total net assets	\$ 12,711,289	\$ 12,302,014
Share in associate's net assets	\$ 3,900,196	\$ 3,774,618
Difference	1,360,740	1,360,740
Carrying amount of the associate	\$ 5,260,936	\$ 5,135,358

	Formosa Industry Co., Ltd.	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 12,200,814	\$ 11,757,034
Non-current assets	18,398,953	17,104,621
Current liabilities	(9,034,823)	(5,873,213)
Non-current liabilities	(6,202,534)	(5,630,904)
Total net assets	<u>\$ 15,362,410</u>	<u>\$ 17,357,538</u>
Share in associate's net assets	\$ 1,536,242	\$ 1,735,754
Difference	90,134	90,134
Carrying amount of the associate	<u>\$ 1,626,376</u>	<u>\$ 1,825,888</u>

Statements of Comprehensive Income

	Formosa Advanced Technologies Co., Ltd.	
	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Revenue	\$ 10,433,443	\$ 9,939,192
Profit for the year from continuing operations	2,055,289	1,557,008
Other comprehensive loss, net of tax	(540,526)	(53,098)
Total comprehensive income	<u>\$ 1,514,763</u>	<u>\$ 1,503,910</u>

	Formosa Industry Co., Ltd.	
	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Revenue	\$ 26,076,740	\$ 25,582,987
(Loss) profit for the year from continuing operations		
(Total comprehensive (loss) income)	<u>(\$ 1,941,578)</u>	<u>\$ 1,402,858</u>

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

As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$2,714,724 and \$2,557,822, respectively.

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Profit for the year from continuing operations	\$ 1,238,011	\$ 448,526
Other comprehensive (loss) income, net of tax	(522,935)	549,656
Total comprehensive income	<u>\$ 715,076</u>	<u>\$ 998,182</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, 2022</u>	<u>December 31, 2021</u>
Quang Viet Enterprise Co., Ltd.	\$ 2,231,442	\$ 2,426,693
Formosa Advanced Technologies Co., Ltd.	<u>5,196,792</u>	<u>5,305,341</u>
	<u>\$ 7,428,234</u>	<u>\$ 7,732,034</u>

(Continued)

(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, 2022</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>
<u>2022</u>						
Opening net book amount as at January 1	\$ 1,908,616	\$ 1,505,995	\$ 2,212,136	\$ 176,850	\$ 250,827	\$ 6,054,424
Additions	-	-	-	-	456,185	456,185
Disposals	-	(4,672)	(148)	-	-	(4,820)
Transfers	(7,440)	30,312	291,490	18,614	(341,022)	(8,046)
Depreciation charge	-	(168,745)	(425,663)	(37,368)	-	(631,776)
Closing net book amount as at December 31	<u>\$ 1,901,176</u>	<u>\$ 1,362,890</u>	<u>\$ 2,077,815</u>	<u>\$ 158,096</u>	<u>\$ 365,990</u>	<u>\$ 5,865,967</u>
<u>At December 31, 2022</u>						
Cost	\$ 2,056,914	\$ 6,309,340	\$ 14,582,882	\$ 4,107,543	\$ 365,990	\$ 27,422,669
Accumulated depreciation	-	(4,946,450)	(12,505,067)	(3,949,447)	-	(21,400,964)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 1,901,176</u>	<u>\$ 1,362,890</u>	<u>\$ 2,077,815</u>	<u>\$ 158,096</u>	<u>\$ 365,990</u>	<u>\$ 5,865,967</u>

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

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

	Years ended December 31,	
	2022	2021
Amount capitalized	\$ 2,837	\$ 1,406
Range of the interest rates for capitalization	0.77%~1.64%	0.78%~0.82%

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

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

C. Certain regulations restrict ownership of land to individuals. Accordingly, the title of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2022 and 2021, the land mortgaged to the Company amounted to \$808,300.

(8) Leasing arrangements – lessee

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

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

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Right-of-use asset - land	\$ 826,970	\$ 744,479

	Year ended December 31, 2022	Year ended December 31, 2021
	Depreciation charge	Depreciation charge
Right-of-use asset - land	\$ 146,323	\$ 143,154

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$234,065 and \$192,028, respectively.

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

	Year ended December 31, 2022	Year ended December 31, 2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 8,640	\$ 7,554
Expense on short-term lease contracts	3,287	1,714

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases was \$152,733 and \$156,241, respectively.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings			
Purchase loans	\$ 14,035	3.35%	-
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings			
Purchase loans	\$ 31,236	0.75%~4.5%	-

(10) Short-term notes and bills payable

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term notes and bills payable	\$ 1,300,000	\$ 300,000
Less: Discount on short-term notes and bills payable	(773)	(59)
	<u>\$ 1,299,227</u>	<u>\$ 299,941</u>
Interest rate	<u>1.49%~1.51%</u>	<u>0.34%~0.45%</u>

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

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ 2,826	\$ -

A. For the years ended December 31, 2022 and 2021, the Company recognized \$2,826 and \$137 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:

Derivative Financial Liabilities	December 31, 2022	
	Contract Amount (Notional Principal in thousands)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	JPY 40,660	2022.10~2023.01
Taipei Fubon Bank	JPY 40,000	2022.10~2023.01
Taipei Fubon Bank	JPY 15,170	2022.11~2023.01
Taipei Fubon Bank	JPY 69,830	2022.11~2023.02

For the year ended December 31, 2021: None.

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

	December 31, 2022	December 31, 2021
Credit borrowings	\$ 9,600,000	\$ 9,700,000
Interest rate	1.36%~2.10%	0.73%~0.85%

(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, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 1,774,598	\$ 1,980,093
Fair value of plan assets	(1,470,618)	(1,587,866)
Net defined benefit liability	<u>\$ 303,980</u>	<u>\$ 392,227</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, 2022</u>			
Balance at January 1	\$ 1,980,093	(\$ 1,587,866)	\$ 392,227
Current service cost	8,707	-	8,707
Interest (expense) income	<u>9,900</u>	<u>(8,079)</u>	<u>1,821</u>
	<u>1,998,700</u>	<u>(1,595,945)</u>	<u>402,755</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(130,839)	(130,839)
Change in financial assumptions	57,779	-	57,779
Experience adjustments	<u>30,004</u>	<u>-</u>	<u>30,004</u>
	<u>87,783</u>	<u>(130,839)</u>	<u>(43,056)</u>
Pension fund contribution	-	(47,423)	(47,423)
Paid pension	(310,152)	303,589	(6,563)
Transfer from related party	<u>(1,733)</u>	<u>-</u>	<u>(1,733)</u>
Balance at December 31	<u>\$ 1,774,598</u>	<u>(\$ 1,470,618)</u>	<u>\$ 303,980</u>

	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)	<u>20,304</u>	<u>(17,474)</u>	<u>2,830</u>
	<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	<u>115,738</u>	<u>-</u>	<u>115,738</u>
	<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	<u>(745)</u>	<u>-</u>	<u>(745)</u>
Balance at December 31	<u>\$ 1,980,093</u>	<u>(\$ 1,587,866)</u>	<u>\$ 392,227</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, 2022 and 2021 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,	
	2022	2021
Discount rate	<u>1.25%</u>	<u>0.50%</u>
Future salary increases	<u>2.85%</u>	<u>1.00%</u>

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1.00%	Decrease 1.00%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	<u>(\$ 13,248)</u>	<u>\$ 13,628</u>	<u>\$ 56,907</u>	<u>(\$ 51,965)</u>
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	<u>(\$ 18,136)</u>	<u>\$ 18,738</u>	<u>\$ 78,497</u>	<u>(\$ 70,438)</u>

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 \$10,528 and \$14,502 for the years ended December 31, 2022 and 2021, respectively.
 - (g) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$47,424.
 - (h) As of December 31, 2022, the weighted average duration of that retirement plan is 5.2 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, 2022 and 2021 were \$84,673 and \$79,741, respectively.

(14) Share capital

- A. As of December 31, 2022, 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, 2022 and 2021, changes in treasury stocks are as follows (in thousands of shares):

<u>Reason for reacquisition</u>	<u>Investee company</u>	2022			<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
		2021			
<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal</u>	<u>Ending Shares</u>
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193

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. According to the article of the Company, when allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the Board of Directors. For the distribution of cash dividends which was authorised to the Board of Directors would be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and then reported to the shareholders for resolution. 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 2021 and 2020 earnings had been resolved at the stockholders' meeting on June 24, 2022 and July 30, 2021, respectively. Details are summarized below:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 201,758		\$ 212,351	
Cash dividends	1,684,665	\$ 1.00	1,684,665	\$ 1.00

E. As of December 31, 2022 and 2021, unpaid stock dividends amounted to \$51,942 and \$13,240, respectively.

F. The appropriations of 2022 earnings had been resolved by the Board of Directors on March 3, 2023. Details are summarized below:

	2022	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 344,497	
Cash dividends	2,526,997	\$ 1.50

As of March 3, 2023, the above appropriations of 2022 earnings has not yet been resolved by the shareholders.

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

(17) Other equity items

	<u>Unrealized gains (losses) on valuation</u>	<u>Currency translation</u>
January 1, 2022	\$ 26,221,380	(\$ 1,443,502)
Revaluation		
– Parent company	(8,640,330)	-
– Subsidiaries and associates	(270,811)	-
Revaluation transferred to retained earnings		
– Parent company	(502)	-
– Subsidiaries and associates	207	-
Difference of currency translation		
– Parent company	-	592,034
– Subsidiaries and associates	-	45,563
December 31, 2022	<u>\$ 17,309,944</u>	<u>(\$ 805,905)</u>

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

(18) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales revenue	\$ 25,954,105	\$ 24,292,267
Service revenue	228,463	197,814
	<u>\$ 26,182,568</u>	<u>\$ 24,490,081</u>

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:

2022	First business group	Second business group			Total
		Cord fabric department	Gasoline department	Other segment	
Revenue from external customer contracts	\$ 7,561,941	\$ 4,781,946	\$ 11,681,398	\$ 2,157,283	\$ 26,182,568
Timing of revenue recognition					
At a point in time	\$ 7,561,941	\$ 4,781,946	\$ 11,681,398	\$ 2,157,283	\$ 26,182,568

2021	First business group	Second business group			Total
		Cord fabric department	Gasoline department	Other segment	
Revenue from external customer contracts	\$ 6,691,010	\$ 5,153,682	\$ 10,811,504	\$ 1,833,885	\$ 24,490,081
Timing of revenue recognition					
At a point in time	\$ 6,691,010	\$ 5,153,682	\$ 10,811,504	\$ 1,833,885	\$ 24,490,081

(19) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 44,300	\$ 2,016

(20) Other income

	Years ended December 31,	
	2022	2021
Dividend income	\$ 1,509,242	\$ 280,873
Other income	189,722	236,080
	\$ 1,698,964	\$ 516,953

(21) Other gains and losses

	Years ended December 31,	
	2022	2021
Forward foreign exchange contracts		
Net loss on financial assets at fair value through profit or loss	\$ -	(\$ 82)
Net (loss) gain on financial liabilities at fair value through profit or loss	(2,826)	137
Foreign exchange gain (losses)	385,159	(97,178)
Gain on disposal of property, plant and equipment	8,032	5,911
Bank charges	(38,816)	(34,354)
Other losses	(51,231)	(48,816)
	<u>\$ 300,318</u>	<u>(\$ 174,382)</u>

(22) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 2,636,112	\$ 2,596,962
Depreciation charges (Including Right-of-use assets and Investment property)	807,510	808,112
	<u>\$ 3,443,622</u>	<u>\$ 3,405,074</u>

(23) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 2,219,306	\$ 2,181,747
Labour and health insurance fees	241,580	238,613
Pension costs	95,201	94,243
Other personnel expenses	80,025	82,359
	<u>\$ 2,636,112</u>	<u>\$ 2,596,962</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, 2022 and 2021, employees' compensation was accrued at \$7,308 and \$4,546, respectively; while directors' and supervisors' remuneration was accrued at \$3,654 and \$2,273, 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, 2022. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors totalled to \$7,308 and \$3,654, respectively, and the employees' compensation will be distributed in the form of cash.

The employees' compensation and directors' and supervisors' remuneration for 2021 as approved by shareholders were the same as the amounts shown in the 2021 financial statements. For the year ended December 31, 2021, employees' compensation was \$4,546 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,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 117,340	\$ 73,994
Other financial expense	8,640	7,554
Less: Capitalization of qualifying assets	(2,837)	(1,406)
Finance costs	<u>\$ 123,143</u>	<u>\$ 80,142</u>

(25) Income tax

A. Income tax expense

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 298,081	\$ 173,333
Tax on undistributed surplus earnings	-	2,796
Adjustments in respect of prior period	(5,336)	(34,499)
Total current tax	<u>292,745</u>	<u>141,630</u>
Deferred tax:		
Origination and reversal of temporary differences	(54,424)	(18,604)
Total deferred tax	<u>(54,424)</u>	<u>(18,604)</u>
Tax expense	<u>\$ 238,321</u>	<u>\$ 123,026</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 728,661	\$ 484,163
Tax effect of permanent differences	(474,617)	(240,586)
Tax effect of temporary differences	44,037	(70,244)
Adjustment in respect of prior period	(5,336)	(34,499)
Net change in assessment of deferred income tax assets and liabilities	(54,424)	(18,604)
Tax on undistributed surplus earnings	-	2,796
Tax expense	<u>\$ 238,321</u>	<u>\$ 123,026</u>

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, 2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	\$ 66,040	\$ 17,415	\$ -	\$ 83,455
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503
Unrealized foreign exchange loss	2,742	13,212	-	15,954
Unrealized gain on disposal of equipment	591	(314)	-	277
	<u>71,876</u>	<u>30,313</u>	<u>-</u>	<u>102,189</u>
Deferred tax liabilities:				
-Temporary differences				
Investment income accounted for under equity method	(349,420)	24,111	-	(325,309)
	<u>(\$ 277,544)</u>	<u>\$ 54,424</u>	<u>\$ -</u>	<u>(\$ 223,120)</u>

	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>

D. The Company's income tax returns through 2020 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, 2022				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	<u>\$ 3,643,302</u>	<u>\$ 3,404,981</u>	<u>1,682,471</u>	<u>\$ 2.17</u>	<u>\$ 2.02</u>
	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>

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, 2022				
	Amount		Outstanding	Earnings per share	
	Before tax	After tax	common shares	(in dollars)	
			(in thousands)	Before tax	After tax
Net income	<u>\$ 3,643,302</u>	<u>\$ 3,404,981</u>	<u>1,684,665</u>	<u>\$ 2.16</u>	<u>\$ 2.02</u>

	Year ended December 31, 2021				
	Amount		Outstanding	Earnings per share	
	Before tax	After tax	common shares	(in dollars)	
			(in thousands)	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>

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, 2022 and 2021.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 456,185	\$ 352,356
Add: Opening balance of payable on equipment	47,225	85,562
Less: Ending balance of payable on equipment	(78,552)	(47,225)
Cash paid during the year	<u>\$ 424,858</u>	<u>\$ 390,693</u>

(Continued)

(28) Changes in liabilities from financing activities

	2022			
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 31,236	\$ 299,941	\$ 9,700,000	\$ 10,031,177
Changes in cash flow from short-term borrowings	(17,201)	-	-	(17,201)
Increase in short-term notes and bills payable	-	999,286	-	999,286
Increase in long-term borrowings	-	-	14,500,000	14,500,000
Payment of long-term borrowings	-	-	(14,600,000)	(14,600,000)
At December 31	<u>\$ 14,035</u>	<u>\$ 1,299,227</u>	<u>\$ 9,600,000</u>	<u>\$ 10,913,262</u>
	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>

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.	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 Industrial Co., Ltd.	Other Related Party
TOA Resin Corp.	Other Related Party
NKFG Corp.	Other Related Party
Albers & Co AG (Note)	Other Related Party
FG INC.	Other Related Party
Formosa Ha Tinh (Cayman) Limited	Other Related Party

Note: 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,	
	2022	2021
Sales of goods:		
— Ultimate parent	\$ 260	\$ 293
— Subsidiaries	204,521	307,701
— Associates	289,391	294,036
— Other related parties	524,625	421,924
	<u>\$ 1,018,797</u>	<u>\$ 1,023,954</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,	
	2022	2021
Purchases of goods:		
— Ultimate parent	\$ 1,411,121	\$ 1,395,375
— Subsidiaries	657,512	232,380
— Other related parties		
Formosa Petrochemical Corp.	10,484,941	9,640,038
Others	920,447	977,297
	<u>\$ 13,474,021</u>	<u>\$ 12,245,090</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

	December 31, 2022	December 31, 2021
Receivables from related parties:		
— Ultimate parent	\$ 4	\$ 18
— Subsidiaries	45,250	65,465
— Associates	66,335	16,277
— Other related parties	70,727	92,242
	<u>\$ 182,316</u>	<u>\$ 174,002</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, 2022</u>	<u>December 31, 2021</u>
Payables from related parties:		
— Ultimate parent	\$ 483,138	\$ 482,192
— Subsidiaries	128,572	57,232
— Other related parties		
Formosa Petrochemical Corp.	546,996	425,208
Others	51,721	76,484
	<u>\$ 1,210,427</u>	<u>\$ 1,041,116</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. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables		
Subsidiaries	4,127	4,058
Other related parties	4,238	14,868
	<u>\$ 8,365</u>	<u>\$ 18,926</u>

F. Property transactions, investment property and other receivables

(a) Acquisition of property, plant and equipment

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Other related party	<u>\$ 725</u>	<u>\$ 15,072</u>

(b) Disposal of property, plant and equipment:

For the years ended December 31, 2022 and December 31, 2021: None.

(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, 2022 and 2021, amounted to \$43,027 and \$42,294, respectively.

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

	Land	Building and structures	Total
<u>At January 1, 2022</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>Year ended December 31, 2022</u>			
Opening net book amount	\$ 7,892	\$ 477,211	\$ 485,103
Transfer (Note)	7,440	-	7,440
Depreciation charge	-	(29,411)	(29,411)
Closing net book amount	<u>\$ 15,332</u>	<u>\$ 447,800</u>	<u>\$ 463,132</u>
<u>At December 31, 2022</u>			
Cost	\$ 15,332	\$ 906,122	\$ 921,454
Accumulated depreciation	-	(458,322)	(458,322)
	<u>\$ 15,332</u>	<u>\$ 447,800</u>	<u>\$ 463,132</u>
	Land	Building and structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	(399,501)	(399,501)
	<u>\$ 7,892</u>	<u>\$ 506,621</u>	<u>\$ 514,513</u>
<u>Year ended December 31, 2021</u>			
Opening net book amount	\$ 7,892	\$ 506,621	\$ 514,513
Depreciation charge	-	(29,410)	(29,410)
Closing net book amount	<u>\$ 7,892</u>	<u>\$ 477,211</u>	<u>\$ 485,103</u>
<u>At December 31, 2021</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	(428,911)	(428,911)
	<u>\$ 7,892</u>	<u>\$ 477,211</u>	<u>\$ 485,103</u>

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, 2022 and 2021, the fair value was \$1,144,206 and \$610,257, 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, 2022 and 2021 amounting to \$21,350 and \$22,682, respectively.

(e) In 2022, Formosa Advanced Technologies Co., Ltd. has planned to expand its plant capacity and entrusted the Group to coordinate the procurement and supervision of the construction. Under the agreement, Formosa Advanced Technologies Co., Ltd. paid half of the contract price after signing the contract, and the remaining balance of the contract price shall be paid after the construction is completed. As of December 31, 2022, the amount of \$16,121 was recognized under ‘Other current liabilities’.

(f) Other receivables

	Items	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Ultimate parent	Payments made by the Company on behalf of related party	\$ 17	\$ 529
Subsidiaries			
-Formosa Taffeta Dong Nai Co., Ltd.	Service fee, endorsement fee, payments made by the Company on behalf of related party	15,395	17,102
-Formosa Taffeta Vietnam Co., Ltd.		13,851	10,512
-Others		553	135
Associates			
-Others	Rent, utility expense, steam and waste disposal costs, etc.	5,834	5,870
Other related party			
-Formosa Ha Tinh (Cayman) Limited	Payments of guarantee commission	-	10,898
-Others	Payments made by the Company on behalf of related party	92	22
		<u>\$ 35,742</u>	<u>\$ 45,068</u>

G. Acquisition of financial assets:

	Account	No. of shares	Object	<u>Year ended December 31, 2022 Consideration</u>
Subsidiaries	Investments accounted for using the equity method		Formosa - Taffeta Dong Nai Co., Ltd.	<u>\$ 216,504</u>

For the year ended December 31, 2021: None.

H. Endorsements and guarantees provided to related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 1,013,430	\$ 913,440
Formosa Taffeta Vietnam Co., Ltd.	1,627,630	1,467,040
Formosa Taffeta (Changshu) Co., Ltd.	1,689,050	1,522,400
Formosa Taffeta Dong Nai Co., Ltd.	3,854,105	3,473,840
Formosa Ha Tinh (Cayman) Ltd.	-	2,209,563
	<u>\$ 8,184,215</u>	<u>\$ 9,586,283</u>

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	<u>\$ 9,303</u>	<u>\$ 20,323</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2022, 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	\$ 1,632
JPY	98,905
EUR	1,278

(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. In its adjudication dated December 30, 2022, the Taipei District Court has rejected the claims filed by DBS. Consequently, DBS filed an appeal in January 2023. The ultimate outcome of the appeal 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. In its adjudication dated February 10, 2023, the Taipei District Court has rejected the claims filed by O-Bank. O-bank is expected to file an appeal in accordance with related laws. The ultimate outcome of the appeal 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 merger of action in criminal and civil prosecution against 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 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.
- 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 November 4, 2022, however, the civil litigation of the case had not been judged. Hence, the ultimate outcome of this litigation is not presently determinable. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.

F. On June 24, 2022, the Taipei District Prosecutor's Office made a non-prosecution decision against the litigation filed by TCB and TBB based on the Code of Criminal Procedure and other laws since there was no active evidence that the Company was involved in any criminal action.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

Refer to Note 6(16) F for the distribution of 2022 earnings which was proposed by the Board of Directors on March 3, 2023.

12. OTHERS

(1) 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, 2022, the Company's strategy was unchanged from December 31, 2021. The gearing ratios at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 10,913,262	\$ 10,031,177
Less: Cash and cash equivalents	(3,874,339)	(2,383,268)
Net debt	7,038,923	7,647,909
Total equity	55,767,215	62,243,859
Total capital	<u>\$ 62,806,138</u>	<u>\$ 69,891,768</u>
Gearing ratio	<u>11%</u>	<u>11%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 33,360,697	\$ 42,001,529
Financial assets at amortized cost	5,995,711	4,868,393
	<u>\$ 39,356,408</u>	<u>\$ 46,869,922</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 2,826	\$ -
Financial liabilities at amortized cost	13,687,083	12,669,153
	<u>\$ 13,689,909</u>	<u>\$ 12,669,153</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, 2022			
Foreign Currency			
	Amount		Book Value
	(In Thousands)	Exchange Rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 139,891	30.71	\$ 4,296,053
EUR:NTD	4,074	32.75	133,424
<u>Non-monetary items</u>			
VND:NTD	5,155,893,393	0.0013	6,702,661
HKD:NTD	308,472	3.93	1,212,295
RMB:NTD	736,584	4.47	3,292,530
CHF:NTD	32,996	33.22	1,096,127

December 31, 2021			
Foreign Currency			
	Amount		Book Value
	(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
<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

- ii. The total exchange gain and 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, 2022 and 2021, amounted to \$385,159 and (\$97,178), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022			
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%	\$ 42,961	\$ -
EUR:NTD	1%	1,334	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	67,027
HKD:NTD	1%	-	12,123
RMB:NTD	1%	-	32,925
CHF:NTD	1%	-	10,961
Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 32,707	\$ -
JPY:NTD	1%	1,006	-
EUR:NTD	1%	1,634	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	63,589
HKD:NTD	1%	-	12,029
RMB:NTD	1%	-	30,140
CHF:NTD	1%	-	10,306

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, 2022 and 2021 would have increased/decreased by \$23 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 \$333,607 and \$420,015, 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, 2022 and 2021, 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, 2022 and 2021 would have decreased/increased by \$76,800 and \$77,600, 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 and accounts receivable and contract assets. On December 31, 2022 and 2021, 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, 2022</u>					
Expected loss rate	0%	9%	100%	100%	
Total book value	\$ 1,692,882	\$ 37,151	\$ 18,376	\$ 3,547	\$ 1,751,956
Loss allowance	6,405	3,350	18,376	3,547	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, 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

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

	Year ended December 31, 2022	
	Notes receivable	Accounts receivable
At January 1 (As at December 31)	\$ -	(\$ 31,678)
	Year ended December 31, 2021	
	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, 2022</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	\$ 140,194	\$ 122,062	\$ 298,605	\$ 276,880
Long-term borrowings (including current portion)	-	8,340,829	1,429,000	-

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	-	-

- iv. 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.

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 30,618,039</u>	<u>\$ 333,000</u>	<u>\$ 2,409,658</u>	<u>\$ 33,360,697</u>
Liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 2,826</u>	<u>\$ -</u>	<u>\$ 2,826</u>

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 36,655,941</u>	<u>\$ 464,900</u>	<u>\$ 4,880,688</u>	<u>\$ 42,001,529</u>

(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:

Market quoted price	<u>Listed shares</u>
	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, 2022 and 2021, 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, 2022 and 2021:

	<u>Year ended December 31, 2022</u>	
	<u>Non-derivative equity instruments</u>	
At January 1	\$	4,880,688
Gains and losses recognized in other comprehensive income		
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	2,470,528)
Sold during the year	(	502)
At December 31	\$	<u>2,409,658</u>
	<u>Year ended December 31, 2021</u>	
	<u>Non-derivative equity instruments</u>	
At January 1	\$	2,909,741
Acquired during the year		550
Gains and losses recognized in other comprehensive income		
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income		1,970,397
At December 31	\$	<u>4,880,688</u>

F. For the years ended December 31, 2022 and 2021, there were no transfer into or out from Level 3.

G. The accounting segment 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, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non- derivative equity instrument:				
Unlisted shares	\$ 90,521	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
	2,319,137	Net asset value	Not applicable	Not applicable
	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

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 on other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		<u>December 31, 2022</u>		
		Recognized in other comprehensive income		
		Favourable		
	<u>Input</u>	<u>Change</u>	<u>change</u>	<u>Unfavourable</u>
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>\$ 905</u>	<u>\$ 905</u>
		<u>December 31, 2021</u>		
		Recognized in other comprehensive income		
		Favourable		
	<u>Input</u>	<u>Change</u>	<u>change</u>	<u>Unfavourable</u>
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>

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, 2022 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: Refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: Refer to table 3.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

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

J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 7.

(4) Major shareholders information

Major shareholders information: Refer to table 8.

14. SEGMENT INFORMATION

None.

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FORMOSA TAFFETA CO., LTD.
Provision of endorsements and guarantees to others
For the year ended December 31, 2022

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, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (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	\$ 36,248,689	\$ 1,063,095	\$ 1,013,430	\$ 15,355	\$ -	1.82	\$ 72,497,379	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	36,248,689	1,707,395	1,627,630	358,557	-	2.92	72,497,379	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	36,248,689	1,771,825	1,689,050	160,731	-	3.03	72,497,379	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	36,248,689	4,042,983	3,854,105	2,418,137	-	6.91	72,497,379	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	36,248,689	1,953,531	-	-	-	-	72,497,379	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, 2022

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, 2022				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	\$ 857,957	0.21	\$ 857,957	
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	56	-	56	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	34,236	0.01	34,236	
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	333,000	2.35	333,000	
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	394,804	0.25	394,804	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	29,330,986	3.83	29,330,986	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	234,166	5,532	0.54	5,532	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	38,335	10.00	38,335	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	903,247	31,918	1.20	31,918	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	265,147	3.00	265,147	
FORMOSA TAFFETA CO., LTD.	NKFG	Other related party	Non-current financial assets at fair value through other comprehensive income	5,540,000	\$ 14,736	2.50	\$ 14,736	
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	2,053,990	3.85	2,053,990	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	58,669	0.13	58,669	

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, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 281,476) (	1.08)	Pay by mail transfer	\$ -	-	Accounts receivable	\$ 65,727	3.55
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(226,250) (	0.86)	60 days after delivery	-	-	Accounts receivable	41,795	2.25
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Subsidiary	Sales	(179,428) (	0.69)	Pay 120 days after delivery	-	-	Accounts receivable	43,013	2.32
FORMOSA TAFFETA CO., LTD.	Schoeller Asia CO.Limited	Other related party	Sales	(115,639) (	0.44)	60 days after monthly billings	-	-	Accounts receivable	5,856	0.00
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Purchases	10,484,941	46.34	Pay by mail transfer	-	-	Accounts payable	(546,996) (	50.75)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,411,121	6.24	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(186,163) (	59.37)
									Accounts payable	(296,957) (	27.55)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	651,634	2.88	Pay every 15 days by mail transfer	-	-	Accounts payable	(37,197) (	3.45)
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	227,086	1.00	Pay every 15 days by mail transfer	-	-	Accounts payable	(11,195) (	1.04)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	(227,575) (	11.36)	60 days after monthly billings	-	-	Accounts receivable	56,644	33.76
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(214,005) (	10.68)	60 days after monthly billings	-	-	Accounts receivable	22,256	13.26
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	134,914	12.58	60 days after monthly billings	-	-	Accounts payable	(15,872) (	59.25)
FORMOSA TAFFETA VIETNAM CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(\$ 127,134) (	4.96)	60 days after monthly billings	\$ -	-	Accounts receivable	\$ 20,032	6.48
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	294,219	15.33	60 days after monthly billings	-	-	Accounts payable	(25,352) (	28.92)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(262,857) (	6.12)	60 days after monthly billings	-	-	Accounts receivable	24,225	4.07

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, 2022

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 DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(288,738) (	6.72)	60 days after monthly billings	-	-	Accounts receivable	32,226	5.42
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(387,346) (	9.02)	60 days after monthly billings	-	-	Accounts receivable	95,307	88.06
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	648,679	17.32	60 days after monthly billings	-	-	Accounts payable	(47,882) (	22.74)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	482,940	12.89	60 days after monthly billings	-	-	Accounts payable	(76,824) (	36.49)
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORP.	Other related party	Purchases	130,485	3.48	60 days after monthly billings	-	-	Accounts payable	(8,363) (	3.97)

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.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 1,411,121	Draw promissory notes due in 2 months after inspection	4.06
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	186,163	Draw promissory notes due in 2 months after inspection	0.25
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	296,975	Draw promissory notes due in 2 months after inspection	0.39

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, 2022

Table 5

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, 2022			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, 2022	December 31, 2021				ended December 31, 2022	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	\$ 188,540	\$ 8,177	\$ 5,983	
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	5,260,936	2,055,289	630,622	
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	1,213,683 (	22,211) (	22,211)	
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 carpets	1,709,221	1,709,221	-	100.00	2,332,278	87,853	87,853	
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	17.98	1,427,806	1,176,153	211,005	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,806,938	2,590,434	-	100.00	2,908,996 (	11,187) (	11,187)	
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	1,626,376 (	1,941,578) (	194,158)	
FORMOSA TAFFETA CO., LTD.	SCHOELLER TEXTIL AG	Switzerland	Textile R&D, production and sales	1,285,507	1,285,507	21,874	50.00	1,096,100 (	79,380) (	39,690)	

FORMOSA TAFFETA CO., LTD.
Information on investees
For the year ended December 31, 2022

Table 5

											Expressed in thousands of NTD (Except as otherwise indicated)
											Investment income (loss) recognized by the company for the year ended December 31, 2022
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2022 (Note 2(3))	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	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	\$ 190,818	\$ 144,992	\$ 22,064	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	18,011	2,055,289	2,182	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	15,115	5,716	5,716	
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	1,591	1,069	15,000	0.01	1,732	1,176,153	160	

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, 2022' 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, 2022' 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, 2022' 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, 2022

Table 6

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, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 234,151	100.00	\$ 234,151	\$ 2,185,356	\$ 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	(30,589)	100.00	(30,589)	1,077,542	-	Note 4
CHANG SHU YU YUAN DEVELOPMENT CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	18	40.78	7	-	-	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, 2022 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, 2022 and December 31, 2022 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, 2022 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, 2022 was US\$41,100,000.

Note 5: Chang Shu Yu Yuan Development Co., Ltd. was merged with Chang Shu Fushan Enterprise Management Co., Ltd. in the third quarter of 2015, Chang Shu Yu Yuan Development Co., Ltd. is the surviving company and its paid capital is RMB\$13,592,920 ; The company was liquidated in 2022.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	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	\$ 1,424,944	\$ 33,460,329
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,289,820	33,460,329

Note :

- (1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.
- (2)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000, FORMOSA TAFFETA (CHANG SHU) CO., LTD. was split up, reduced its paid-in capital and formed Chang Shu Fushun Enterprise Management Co., Ltd. Chang Shu Fushan Enterprise Management Co., Ltd. was terminated after the merger with Chang Shu Yu Yuan Development Co., Ltd. in the third quarter of 2015. CHANG SHU YU YUAN DEVELOPMENT CO., LTD. was liquidated in 2022.
- (3)The original currency of paid-in capital was translated at USD:TWD = 1 : 30.71

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, 2022

Table 7

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, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Others
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 13,933	0.05	\$ -	-	\$ 1,469	0.08	\$ 1,013,430	For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	-
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	4,836	0.02	-	-	404	0.02	1,689,050	For short-tem loans from financial institutions	-	-	-	-	-

FORMOSA TAFFETA CO., LTD.
Information on Major Shareholders
December 31, 2022

Table 8

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

FORMOSA TAFFETA CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022

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

Statement 1

Item	Description	Amount
Revolving funds		\$ 9,672
Cash on hand		88,779
Cash in banks—Check deposit		264,292
—Demand deposit		201,572
—Foreign exchange deposit	USD 10,977,864.42 dollars , exchange rate 30.71	337,130
	JPY 163,715,794.25 dollars , exchange rate 0.2324	38,048
	EUR 569,999 dollars , exchange rate 32.72	18,650
	HKD 16,907.25 dollars , exchange rate 3.938	67
	CHF 23,558.78 dollars , exchange rate 33.205	782
—Foreign time deposit	USD 3,000 thousand , Interest rate 0.0450 , exchange rate 30.71 , due date: 2023/1/4	92,130
	USD 3,000 thousand , Interest rate 0.0430 , exchange rate 30.71 , due date: 2023/1/6	92,130
	USD 3,000 thousand , Interest rate 0.0460 , exchange rate 30.71 , due date: 2023/1/9	92,130
	USD 4,000 thousand , Interest rate 0.0460 , exchange rate 30.71 , due date: 2023/1/11	122,840
	USD 3,000 thousand , Interest rate 0.0430 , exchange rate 30.71 , due date: 2023/1/13	92,130
	USD 3,000 thousand , Interest rate 0.0475 , exchange rate 30.71 , due date: 2023/1/30	92,130
	USD 3,000 thousand , Interest rate 0.0460 , exchange rate 30.71 , due date: 2023/1/30	92,130
	USD 3,000 thousand , Interest rate 0.0478 , exchange rate 30.71 , due date: 2023/2/1	92,130
	USD 3,000 thousand , Interest rate 0.0479 , exchange rate 30.71 , due date: 2023/2/3	92,130
	USD 3,000 thousand , Interest rate 0.0459 , exchange rate 30.71 , due date: 2023/2/6	92,130
	USD 3,000 thousand , Interest rate 0.0459 , exchange rate 30.71 , due date: 2023/2/8	92,130
	USD 3,000 thousand , Interest rate 0.0459 , exchange rate 30.71 , due date: 2023/2/10	92,130
	USD 3,000 thousand , Interest rate 0.0462 , exchange rate 30.71 , due date: 2023/2/13	92,130
	USD 3,000 thousand , Interest rate 0.0469 , exchange rate 30.71 , due date: 2023/2/15	92,130
	USD 5,000 thousand , Interest rate 0.0469 , exchange rate 30.71 , due date: 2023/2/17	153,550
	USD 4,000 thousand , Interest rate 0.0469 , exchange rate 30.71 , due date: 2023/2/20	122,840
	USD 5,000 thousand , Interest rate 0.0469 , exchange rate 30.71 , due date: 2023/2/22	153,550
	USD 3,000 thousand , Interest rate 0.0467 , exchange rate 30.71 , due date: 2023/2/24	92,130
	USD 3,000 thousand , Interest rate 0.0480 , exchange rate 30.71 , due date: 2023/3/1	92,130
	USD 5,000 thousand , Interest rate 0.0481 , exchange rate 30.71 , due date: 2023/3/3	153,550
	USD 4,000 thousand , Interest rate 0.0478 , exchange rate 30.71 , due date: 2023/3/6	122,840
	USD 4,000 thousand , Interest rate 0.0479 , exchange rate 30.71 , due date: 2023/3/8	122,840
	USD 5,000 thousand , Interest rate 0.0479 , exchange rate 30.71 , due date: 2023/3/10	153,550
Cash equivalents—Commercial Paper	0.90% , due date: 2023/1/3	101,959
	0.95% , due date: 2023/1/6	67,000
	0.95% , due date: 2023/1/6	45,973
	0.93% , due date: 2023/1/6	149,905
	0.95% , due date: 2023/1/6	63,000
		<u>\$ 3,874,339</u>

FORMOSA TAFFETA CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 2

Name of Financial Instrument	Opening balance		Additions		Reductions		Ending balance		Pledged as collateral	Note
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		
Current										
Formosa Chemicals & Fibre Corp.	12,169,610	\$ 866,180	-	\$ -	-	\$ -	12,169,610	\$ 866,180	None	
Formosa Plastics Corp.	640	28	-	-	-	-	640	28	None	
Nan Ya Plastics Corp.	482,194	34,077	-	-	-	-	482,194	34,077	None	
Pacific Electric Wire and Cable Co, Ltd.	35	-	-	-	-	-	35	-	None	
Asia Pacific Investment Corp.	10,000,000	100,000	-	-	-	-	10,000,000	100,000	None	
		1,000,285		-		-		1,000,285		
Valuation		489,166		-		(264,202)		224,964		
		<u>\$ 1,489,451</u>		<u>\$ -</u>		<u>(\$ 264,202)</u>		<u>\$ 1,225,249</u>		
Non-current										
Nanya Technology Corp.	7,711,010	\$ 2,507,232	-	\$ -	-	\$ -	7,711,010	\$ 2,507,232	None	
Formosa Petrochemical Corp.	365,267,576	5,655,893	-	-	-	-	365,267,576	5,655,893	None	
Toa Resin Corporation Limited	14,400	3,000	-	-	-	-	14,400	3,000	None	
Syntronix Corp.	234,166	3,785	-	-	-	-	234,166	3,785	None	
Shin Yun Gas Co., Ltd.	852,120	3,100	51,127	-	-	-	903,247	3,100	None	
WK Technology Fund IV Limited	337,183	-	-	-	(337,183)	-	-	-	None	Note 1
NKFG	5,540,000	55,400	-	-	-	-	5,540,000	55,400	None	
Formosa HA TINH (CAYMAN) LIMITED	209,010,676	6,241,045	-	-	-	-	209,010,676	6,241,045	None	
FG INC	600	341,336	-	-	-	-	600	341,336	None	
		14,810,791		-		-		14,810,791		
Valuation		25,701,287		-		(8,376,630)		17,324,657		
		<u>\$ 40,512,078</u>		<u>\$ -</u>		<u>(\$ 8,376,630)</u>		<u>\$ 32,135,448</u>		

Note 1: The company had been liquidated in 2022.

FORMOSA TAFFETA CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022

Statement 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Cheng Shin Rubber Ind., Co., Ltd.		\$ 262,803	
BUMBLEBEE		113,955	
MSI		78,528	
			The balance of each customer has not exceeded
Others		<u>1,224,122</u>	5% of the account
		1,679,408	
Less: Allowance for bad debts		(<u>31,678</u>)	
		<u>\$ 1,647,730</u>	

FORMOSA TAFFETA CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022

Statement 4

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 506,398	\$ 482,461	
Supplies		159,719	158,924	
Work in progress		2,342,834	2,342,834	
Finished goods		2,608,292	2,095,691	
Merchandise inventory		265,412	265,412	
Inventory in transit		298,744	298,744	
Outsourced processed materials		122,600	122,600	
		<u>6,303,999</u>	<u>\$ 5,766,666</u>	
Less: Allowance for valuation loss		(537,333)		
		<u>\$ 5,766,666</u>		

FORMOSA TAFFETA CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 5

Name	Beginning Balance		Additions		Reductions		Ending Balance			Market price of value per share		Collateral	Note
	Shares in thousands	Amount	Shares in thousands	Amount	Shares in thousands	Amount	Shares in thousands	Ownership (%)	Amount	Price (in NTD)	Total price		
Formosa Advanced Technologies Co., Ltd.	135,686	\$ 5,135,358	-	\$ 630,642	-	(\$ 505,064)	135,686	30.68	\$ 5,260,936	38.30	\$ 5,196,792	None	
Formosa Taffeta Dong Nai Co., Ltd.	-	2,524,546	-	395,639	-	(11,189)	-	100.00	2,908,996	-	2,908,996	None	
Formosa Industries Corp.	-	1,825,888	-	115,198	-	(314,710)	-	10.00	1,626,376	-	1,626,376	None	
Formosa Taffeta (Zhong Shan) Co., Ltd.	-	1,923,461	-	261,895	-	-	-	100.00	2,185,356	-	2,185,356	None	
Formosa Taffeta Vietnam Co., Ltd.	-	2,095,015	-	237,263	-	-	-	100.00	2,332,278	-	2,332,278	None	
Formosa Taffeta (Hong Kong) Co., Ltd	-	1,202,931	-	32,963	-	(22,211)	-	100.00	1,213,683	-	1,213,683	None	
Quang Viet Enterprise Corp.	18,595	1,237,283	-	270,259	-	(79,736)	18,595	17.98	1,427,806	120.00	2,231,442	None	
Formosa Development Co.,Ltd	16,100	186,160	-	8,218	-	(5,838)	16,100	100.00	188,540	-	188,540	None	
Scheoller Textil AG	22	1,030,378	-	105,413	-	(39,691)	22	50.00	1,096,100	-	1,096,100	None	
Nan Ya Photonics Inc.	7,014	<u>290,161</u>	-	<u>23,237</u>	-	<u>(122,580)</u>	7,014	15.22	<u>190,818</u>	-	<u>190,818</u>	None	
		<u>\$ 17,451,181</u>		<u>\$ 2,080,727</u>		<u>(\$ 1,101,019)</u>			<u>\$ 18,430,889</u>		<u>\$ 19,170,381</u>		

FORMOSA TAFFETA CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022

Statement 6

Creditor	Description	Amount	Contract Period	Interest Rate	Collateral	Note
Hua Nan Bank	Credit loans	\$ 300,000	2022/09/20~2024/01/14	1.36%	None	
Mizuho Corporate Bank	Credit loans	800,000	2022/09/20~2024/08/12	1.88%	None	
E. Sun Bank	Credit loans	200,000	2022/12/15~2025/12/15	1.90%	None	
China Trust Bank	Credit loans	400,000	2022/09/08~2024/09/08	1.45%	None	
Taipei Fubon Bank	Credit loans	1,500,000	2022/01/12~2024/01/12	1.49%	None	
Bangkok Bank	Credit loans	500,000	2022/12/02~2024/12/02	1.75%	None	
MUFG Bank	Credit loans	1,500,000	2022/06/13~2024/06/13	1.72%	None	
First Bank	Credit loans	1,000,000	2022/12/05~2024/12/05	1.725%	None	
Far Eastern International Bank	Credit loans	1,200,000	2022/09/20~2025/09/15	2.10%	None	
Mega International Commercial Bank	Credit loans	700,000	2022/10/21~2024/06/21	2.05%	None	
HSBC	Credit loans	1,200,000	2022/08/10~2024/08/10	1.90%	None	
Bank SinoPac.	Credit loans	300,000	2022/08/12~2024/08/12	1.55%	None	
		<u>\$ 9,600,000</u>				

FORMOSA TAFFETA CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Statement 7

Item	Quantities	Amount	Note
Sales revenue			
Fabrics & dyeing			
Plant of woven and dyeing	86,905,487 Yard	\$ 7,534,144	Filament
Plant of 6th dyeing	504,924 Yard	35,827	Dyeing
Plant of tyre cord	20,992,504 KG	4,797,391	Tyre cord
Plant of PE bags	3,649,130 KG	264,683	PE bags
Plant of cotton fibers	9,682 PC	698,207	Yarn count
Plant of special finished fabrics	4,594,711 Yard	606,125	Special finished fabrics
Plant of carbon fibers	1,426,767 Meter	377,261	Carbon Fibers
Petroleum products	420,421,871 KL	11,681,440	Gasoline
		25,995,078	
Less: Sales returns and allowance		(26,450)	
Sales discount		(14,523)	
		25,954,105	
Service revenue		228,463	
		<u>\$ 26,182,568</u>	

FORMOSA TAFFETA CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 8

Item	Summary	Amount	Note
Raw materials used			
Beginning raw materials		\$ 687,887	
Raw materials purchased		9,575,798	
Ending raw materials		(927,742)	
Transferred to manufacturing expense		(348,221)	
		<u>8,987,722</u>	
Supplies			
Beginning supplies		67,415	
Supplies purchased		1,882,068	
Ending supplies		(159,719)	
Transferred to manufacturing expense		(1,769,425)	
		<u>20,339</u>	
Direct materials		9,008,061	
Direct labor		895,133	
Manufacturing expense		<u>3,776,907</u>	
Manufacturing costs		13,680,101	
Beginning work in progress		1,819,227	
Ending work in progress		(2,342,834)	
Cost of finished goods		13,156,494	
Beginning finished goods		2,052,936	
Ending finished goods		(2,608,292)	
Cost of goods manufactured and sold		<u>12,601,138</u>	
Beginning merchandise inventories		214,886	
Net purchases for the year		10,452,145	
Ending merchandise inventories		(265,412)	
Cost of goods sold from purchase		<u>10,401,619</u>	
Cost of inventories sold		23,002,757	
Add: Inventory shortage			
and disposal of scrap		39,994	
Idle capacity		103,072	
Loss on inventory valuation		87,075	
Service cost		<u>192,023</u>	
		<u>\$ 23,424,921</u>	

FORMOSA TAFFETA CO., LTD.
STATEMENT OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 9

Item	Summary	Amount	Note
Utilities		\$ 858,991	
Indirect labor		607,661	
Depreciation		562,955	
Steam expense		322,555	
Repair and maintenance expense		308,724	
Main indirect materials		238,021	
			The balance of each item has not exceeded 5% of the Manufacturing expenses
Others		<u>878,000</u>	
		<u>\$ 3,776,907</u>	

FORMOSA TAFFETA CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 10

Item	Summary	Amount	Note
Salary and Wages		\$ 626,192	
Shipping expenses		235,196	
Depreciation		192,302	
Others		<u>383,425</u>	The balance of each item has not exceeded 5% of the Selling expenses
		<u>\$ 1,437,115</u>	

FORMOSA TAFFETA CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 11

Item	Summary	Amount	Note
Salary and Wages		\$ 225,086	
Utilities		55,631	
Repair and maintenance expense		31,579	
Others		<u>209,805</u>	The balance of each item has not exceeded 5% of the Administrative expenses
		<u>\$ 522,101</u>	

FORMOSA TAFFETA CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 12

Function Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 1,421,226	\$ 798,080	\$ 2,219,306	\$ 1,396,098	\$ 785,649	\$ 2,181,747
Labour and health insurance fees	160,540	81,040	241,580	158,183	80,430	238,613
Pension costs	59,453	35,748	95,201	58,611	35,632	94,243
Directors' remuneration	-	4,727	4,727	-	4,640	4,640
Other personnel expenses	61,326	18,699	80,025	63,438	18,921	82,359
Depreciation (including Right-of-use assets and investment property)	562,955	244,555	807,510	559,041	249,071	808,112

Note :

1. As at December 31, 2022 and 2021, the Company had 4,286 and 4,338 employees, including 8 and 8 non-employee directors, respectively.

2. A company whose stock is listed on the Taiwan Stock Exchange shall additionally disclose the following information:

Average employee benefit expense in current year was \$616,203 (in dollars).

('total employee benefit expense for the year -total directors' remuneration/' the number of employees in the current year- the number of non-employee directors)

Average employee benefit expense in previous year was \$599,760 (in dollars).

('total employee benefit expense for the previous year -total directors' remuneration/' the number of employees in the previous year- the number of non-employee directors)

3. Average employees salaries in current year was \$518,772 (in dollars).

('total salaries and wages for the current year/' the number of employees in the current year- the number of non-employee directors')

Average employees salaries in previous year was \$503,868 (in dollars).

('total salaries and wages for the previous year/' the number of employees in the previous year-the number of non-employee directors')

FORMOSA TAFFETA CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 12

4. Adjustments of average employees salaries was 2.96%.

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

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

6. The Company's compensation policies:

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 12

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