

**NAN LIU ENTERPRISE CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 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' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Nan Liu Enterprise Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Nan Liu Enterprise Co., Ltd. and subsidiaries (the "Group") as at March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Tzu-Shu

Independent Accountants

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

May 12, 2022

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

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Assets	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,699,336	16	\$ 1,777,362	17	\$ 1,591,186	15
1136	Financial assets at amortised cost - current	6(1)(2)	188,500	2	-	-	132,365	1
1150	Notes receivable, net	6(3) and 12	58,938	1	58,422	1	82,493	1
1170	Accounts receivable, net	6(3) and 12	937,600	9	1,342,758	13	1,299,809	12
1200	Other receivables		5,778	-	5,140	-	970	-
1220	Current income tax assets	6(24)	-	-	-	-	26	-
130X	Inventories	6(4)	788,215	8	862,302	8	1,084,204	10
1410	Prepayments		333,117	3	264,617	2	397,630	4
11XX	Total current assets		<u>4,011,484</u>	<u>39</u>	<u>4,310,601</u>	<u>41</u>	<u>4,588,683</u>	<u>43</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	84,130	1	84,130	1	84,130	1
1600	Property, plant and equipment	6(6)(9) and 8	5,188,928	50	4,975,674	47	4,898,202	46
1755	Right-of-use assets	6(7)	542,777	5	543,762	5	560,282	5
1760	Investment property, net	6(8)	31,192	-	30,427	-	16,138	-
1780	Intangible assets		128	-	165	-	284	-
1840	Deferred income tax assets	6(24)	65,674	-	55,318	-	38,124	-
1915	Prepayments for equipment	6(6)	272,975	3	376,585	4	389,315	4
1920	Guarantee deposits paid		67,822	1	71,889	1	56,689	-
1990	Other non-current assets		102,316	1	101,416	1	109,521	1
15XX	Total non-current assets		<u>6,355,942</u>	<u>61</u>	<u>6,239,366</u>	<u>59</u>	<u>6,152,685</u>	<u>57</u>
1XXX	Total assets		<u>\$ 10,367,426</u>	<u>100</u>	<u>\$ 10,549,967</u>	<u>100</u>	<u>\$ 10,741,368</u>	<u>100</u>

(Continued)

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10) and 7	\$ 2,120,000	21	\$ 1,948,900	19	\$ 1,667,000	15
2110	Short-term notes and bills payable	6(11)	39,995	-	89,984	1	-	-
2130	Contract liabilities - current	6(17)	16,715	-	20,151	-	44,350	-
2150	Notes payable		581,449	6	555,074	5	505,091	5
2170	Accounts payable		317,337	3	556,834	5	388,938	4
2200	Other payables		202,919	2	298,440	3	365,483	3
2230	Current income tax liabilities	6(24)	23,621	-	26,930	-	270,955	3
2280	Lease liabilities - current	6(7)	10,419	-	10,384	-	10,100	-
2320	Long-term liabilities, current portion	6(12), 7 and 8	646,491	6	330,620	3	422,036	4
21XX	Total current liabilities		<u>3,958,946</u>	<u>38</u>	<u>3,837,317</u>	<u>36</u>	<u>3,673,953</u>	<u>34</u>
Non-current liabilities								
2540	Long-term borrowings	6(12), 7 and 8	2,376,658	23	2,787,601	26	2,232,876	21
2570	Deferred income tax liabilities	6(24)	14,759	-	10,964	-	10,686	-
2580	Lease liabilities - non-current	6(7)	373,373	4	378,587	4	383,505	3
2640	Net defined benefit liabilities - non-current	6(13)	37,824	-	45,515	1	67,422	1
2645	Guarantee deposits received		1,037	-	999	-	1,001	-
25XX	Total non-current liabilities		<u>2,803,651</u>	<u>27</u>	<u>3,223,666</u>	<u>31</u>	<u>2,695,490</u>	<u>25</u>
2XXX	Total liabilities		<u>6,762,597</u>	<u>65</u>	<u>7,060,983</u>	<u>67</u>	<u>6,369,443</u>	<u>59</u>
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(14)	726,000	7	726,000	7	726,000	7
3200	Capital surplus	6(15)	453,467	4	453,467	4	453,467	4
Retained earnings								
3310	Legal reserve	6(16)	629,412	6	629,412	6	483,750	4
3320	Special reserve		382,531	4	382,531	4	382,531	4
3350	Unappropriated retained earnings		1,685,180	16	1,673,403	16	2,685,674	25
3400	Other equity interest		(271,761)	(2)	(375,829)	(4)	(359,497)	(3)
3XXX	Total equity		<u>3,604,829</u>	<u>35</u>	<u>3,488,984</u>	<u>33</u>	<u>4,371,925</u>	<u>41</u>
Contingent Liabilities and Commitments								
3X2X	Total liabilities and equity		<u>\$ 10,367,426</u>	<u>100</u>	<u>\$ 10,549,967</u>	<u>100</u>	<u>\$ 10,741,368</u>	<u>100</u>

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17)	\$ 1,294,987	100	\$ 1,812,088	100
5000	Operating costs	6(4)(13)(22)(23)	(1,169,857)	(91)	(1,487,635)	(82)
5900	Net operating margin		<u>125,130</u>	<u>9</u>	<u>324,453</u>	<u>18</u>
	Operating expenses	6(13)(22)(23) and 12				
6100	Selling expenses		(72,992)	(5)	(109,363)	(6)
6200	General and administrative expenses		(73,720)	(6)	(84,507)	(5)
6300	Research and development expenses		(10,747)	(1)	(16,122)	(1)
6450	Expected credit gains		<u>11,060</u>	<u>1</u>	<u>21,792</u>	<u>1</u>
6000	Total operating expenses		(146,399)	(11)	(188,200)	(11)
6900	Operating (loss) profit		(21,269)	(2)	<u>136,253</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(2)(18)	3,338	-	859	-
7010	Other income	6(19)	5,718	1	5,239	-
7020	Other gains and losses	6(20)(22) and 12	39,487	3	16,674	1
7050	Finance costs	6(7)(21) and 7	(9,362)	(1)	(8,020)	-
7000	Total non-operating income and expenses		<u>39,181</u>	<u>3</u>	<u>14,752</u>	<u>1</u>
7900	Profit before income tax		<u>17,912</u>	<u>1</u>	<u>151,005</u>	<u>8</u>
7950	Income tax expense	6(24)	(6,135)	-	(37,602)	(2)
8200	Profit for the period		<u>\$ 11,777</u>	<u>1</u>	<u>\$ 113,403</u>	<u>6</u>
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		<u>\$ 104,068</u>	<u>8</u>	(\$ 9,729)	-
8300	Other comprehensive income (loss) for the period		<u>\$ 104,068</u>	<u>8</u>	(\$ 9,729)	-
8500	Total comprehensive income for the period		<u>\$ 115,845</u>	<u>9</u>	<u>\$ 103,674</u>	<u>6</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 11,777</u>	<u>1</u>	<u>\$ 113,403</u>	<u>6</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 115,845</u>	<u>9</u>	<u>\$ 103,674</u>	<u>6</u>
	Earnings per share (in dollars)	6(25)				
9750	Basic		<u>\$ 0.16</u>		<u>\$ 1.56</u>	
9850	Diluted		<u>\$ 0.16</u>		<u>\$ 1.56</u>	

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Notes	Equity attributable to owners of the parent					Other Equity Interest Exchange differences on translation of foreign financial statements	Total equity
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>For the three-month period ended March 31, 2021</u>							
Balance at January 1, 2021	\$ 726,000	\$ 453,467	\$ 483,750	\$ 382,531	\$ 2,572,271	(\$ 349,768)	\$4,268,251
Profit for the period	-	-	-	-	113,403	-	113,403
Other comprehensive loss for the period	-	-	-	-	-	(9,729)	(9,729)
Total comprehensive income (loss)	-	-	-	-	113,403	(9,729)	103,674
Balance at March 31, 2021	<u>\$ 726,000</u>	<u>\$ 453,467</u>	<u>\$ 483,750</u>	<u>\$ 382,531</u>	<u>\$ 2,685,674</u>	<u>(\$ 359,497)</u>	<u>\$4,371,925</u>
<u>For the three-month period ended March 31, 2022</u>							
Balance at January 1, 2022	\$ 726,000	\$ 453,467	\$ 629,412	\$ 382,531	\$ 1,673,403	(\$ 375,829)	\$3,488,984
Profit for the period	-	-	-	-	11,777	-	11,777
Other comprehensive income for the period	-	-	-	-	-	104,068	104,068
Total comprehensive income	-	-	-	-	11,777	104,068	115,845
Balance at March 31, 2022	<u>\$ 726,000</u>	<u>\$ 453,467</u>	<u>\$ 629,412</u>	<u>\$ 382,531</u>	<u>\$ 1,685,180</u>	<u>(\$ 271,761)</u>	<u>\$3,604,829</u>

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	<u>For the three month periods ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 17,912	\$ 151,005
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gains	12	(11,060)	(21,792)
Provision for inventory market price decline	6(4)	-	4,610
Depreciation	6(6)(7)(8)(22)	125,968	125,137
Gain (loss) on disposal of property, plant and equipment	6(20)	(72)	7
Amortisation	6(22)	42	41
Amortisation of other non-current assets		8,017	7,741
Unrealised exchange gains of long-term borrowings	6(27)	(8,130)	(9,161)
Interest income	6(18)	(3,338)	(859)
Interest expense	6(21)	9,362	8,020
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(223)	(7,792)
Accounts receivable		415,398	183,368
Other receivables		(631)	3,517
Inventories		72,922	175,995
Prepayments		(68,500)	(109,454)
Changes in operating liabilities			
Contract liabilities - current		(3,436)	(6,794)
Notes payable		27,982	4,098
Accounts payable		(239,497)	(88,678)
Other payables		(50,351)	(6,910)
Net defined benefit liabilities - non-current		(7,691)	163
Cash inflow generated from operations		284,674	412,262
Interest received		3,331	739
Income tax paid		(16,005)	(47,656)
Net cash flows from operating activities		<u>272,000</u>	<u>365,345</u>

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NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	<u>For the three month periods ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost - current		(\$ 188,500)	(\$ 43,535)
Cash paid for acquisition of financial assets at fair value through other comprehensive income	6(26)	-	(84,130)
Cash paid for acquisition of property, plant and equipment	6(26)	(55,854)	(107,618)
Proceeds from disposal of property, plant and equipment		279	82
Increase in prepayments for equipment		(171,496)	(137,582)
Decrease (increase) in guarantee deposit paid		4,067	(131)
Increase in other non-current assets		(7,533)	(4,930)
Net cash flows used in investing activities		(419,037)	(377,844)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid		(8,979)	(8,169)
Increase in short-term borrowings	6(27)	171,100	-
Decrease in short-term notes and bills payable	6(27)	(49,989)	-
Payments of lease liabilities	6(27)	(5,179)	(5,441)
Increase in long-term borrowings	6(27)	217,899	268,000
Decrease in long-term borrowings	6(27)	(304,841)	(333,816)
Net cash flows from (used in) financing activities		20,011	(79,426)
Effect of foreign exchange rate changes		49,000	(5,857)
Net decrease in cash and cash equivalents		(78,026)	(97,782)
Cash and cash equivalents at beginning of period	6(1)	1,777,362	1,688,968
Cash and cash equivalents at end of period	6(1)	\$ 1,699,336	\$ 1,591,186

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

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

(Reviewed, not audited)

1. History and Organisation

(1) Nan Liu Enterprise Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 1, 1978. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. For the subsidiaries’ scope of business, refer to Note 4(3), ‘Basis of consolidation’.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since May 2013.

2. The Date of Authorisation for Issuance of the Consolidated Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on May 12, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</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 Group’s financial condition and financial performance based on the Group’s assessment.

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

None.

(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 IASB</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 IASB
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

4. Summary of Significant Accounting Policies

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the financial assets at fair value through other comprehensive income and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- 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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or

complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of these consolidated financial statements is consistent with those for the preparation of consolidated financial statements for the year ended December 31, 2021.

B. Subsidiaries included in the consolidated financial statements:

Name of investors	Name of subsidiaries	Main business activities	Percentage owned by the Group (%)			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Samoa) Co., Ltd.	General investment	100.00	100.00	100.00	—
Nan Liu Enterprise Co., Ltd.	Ching-Tsun Biomedical Technology Co., Ltd.	Research and development of health care and hygiene products as well as sales of skin care products	100.00	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Manufacturing (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nan Fang Enterprise (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—	(Note)

(Note) The subsidiary was newly established in July 2021.

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate

derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income taxes

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

There have been no significant changes as of March 31, 2022. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash:			
Cash on hand and petty cash	\$ 3,054	\$ 3,596	\$ 3,682
Checking accounts and demand deposits	<u>1,667,100</u>	<u>1,208,258</u>	<u>1,040,328</u>
	<u>1,670,154</u>	<u>1,211,854</u>	<u>1,044,010</u>
Cash equivalents:			
Time deposits	<u>29,182</u>	<u>565,508</u>	<u>547,176</u>
	<u>\$ 1,699,336</u>	<u>\$ 1,777,362</u>	<u>\$ 1,591,186</u>

A. The Group transacts 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. As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group's time deposits maturing between three months and one year were reclassified as 'Financial assets at amortised cost - current' in the amount of \$188,500, \$— and \$132,365, respectively.

C. As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost - current

<u>Items</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Time deposits maturing over three months	<u>\$ 188,500</u>	<u>\$ —</u>	<u>\$ 132,365</u>

A. The Group recognised interest income in profit or loss on financial assets at amortised cost amounting to \$— and \$155 (listed as "Interest income") for the three-month periods ended March 31, 2022 and 2021, respectively.

B. As of March 31, 2022, December 31, 2021, and March 31, 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was approximately its book

value.

C. The Group has no financial assets at amortised cost pledged to others as collateral as of March 31, 2022, December 31, 2021, and March 31, 2021.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial instruments'. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 60,422	\$ 60,199	\$ 85,270
Less: Allowance for uncollectible accounts	(1,484)	(1,777)	(2,777)
	<u>\$ 58,938</u>	<u>\$ 58,422</u>	<u>\$ 82,493</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable	\$ 956,981	\$ 1,372,379	\$ 1,339,210
Less: Allowance for uncollectible accounts	(19,381)	(29,621)	(39,401)
	<u>\$ 937,600</u>	<u>\$ 1,342,758</u>	<u>\$ 1,299,809</u>

A. The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	<u>March 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 52,716	\$ 875,292	\$ 55,604	\$ 1,181,487
Up to 60 days	7,706	70,987	4,595	185,195
61 to 90 days	-	4,250	-	250
91 to 180 days	-	3,469	-	1,828
Over 180 days	-	7,478	-	8,114
	<u>\$ 60,422</u>	<u>\$ 961,476</u>	<u>\$ 60,199</u>	<u>\$ 1,376,874</u>

	March 31, 2021	
	Notes receivable	Accounts receivable
Not past due	\$ 79,202	\$ 1,240,681
Up to 60 days	6,068	81,499
61 to 90 days	-	5,958
91 to 180 days	-	8,526
Over 180 days	-	6,533
	<u>\$ 85,270</u>	<u>\$ 1,343,197</u>

The above ageing analysis was based on past due date.

- B. As of March 31, 2022, December 31, 2021, and March 31, 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,604,043.
- C. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was approximately its book value.
- D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

	March 31, 2022		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 18,511	(\$ 5,137)	\$ 13,374
Raw materials	315,992	(17,224)	298,768
Inventory in transit	7,797	-	7,797
Supplies	69,288	(2,605)	66,683
Work in progress	8,316	(4,888)	3,428
Finished goods	426,637	(28,472)	398,165
	<u>\$ 846,541</u>	<u>(\$ 58,326)</u>	<u>\$ 788,215</u>

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 13,767	(\$ 5,060)	\$ 8,707
Raw materials	332,924	(16,875)	316,049
Inventory in transit	25,729	-	25,729
Supplies	72,466	(2,548)	69,918
Work in progress	8,413	(4,723)	3,690
Finished goods	466,164	(27,955)	438,209
	<u>\$ 919,463</u>	<u>(\$ 57,161)</u>	<u>\$ 862,302</u>

March 31, 2021			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 22,047	(\$ 6,090)	\$ 15,957
Raw materials	376,809	(17,412)	359,397
Inventory in transit	14,162	-	14,162
Supplies	99,145	(3,507)	95,638
Work in progress	12,863	(5,258)	7,605
Finished goods	626,344	(34,899)	591,445
	<u>\$ 1,151,370</u>	<u>(\$ 67,166)</u>	<u>\$ 1,084,204</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended March 31,	
	2022	2021
Cost of goods sold	\$ 1,136,892	\$ 1,438,080
Under-applied fixed manufacturing overhead	46,879	55,748
Loss on decline in market value	-	4,610
Loss on scrapped inventories	776	1,203
Income from sale of scraps	(14,690)	(12,006)
	<u>\$ 1,169,857</u>	<u>\$ 1,487,635</u>

(5) Financial assets at fair value through other comprehensive income - non-current

Items	March 31, 2022	December 31, 2021	March 31, 2021
Equity instruments			
Unlisted stocks	<u>\$ 84,130</u>	<u>\$ 84,130</u>	<u>\$ 84,130</u>

A. The subsidiary - Nanliu Enterprise (Samoa) Co., Ltd. participated in the capital increase of Principle & Will Co., Ltd. as a specific person. The effective date was December 31, 2020 and the maturity date of the shares' payment was January 6, 2021. As of March 31, 2022, the additional investment of the subsidiary of \$84,130 has been paid.

- B. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$86,409, \$85,026 and \$84,130 as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as of March 31, 2022, December 31, 2021, and March 31, 2021.

(6) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>January 1, 2022</u>									
Cost	\$ 61,490	\$ 1,625,700	\$ 4,834,255	\$ 426,361	\$ 83,489	\$ 22,857	\$ 266,253	\$ 1,130,340	\$ 8,450,745
Accumulated depreciation	-	(448,765)	(2,632,811)	(195,578)	(50,679)	(19,638)	(117,787)	-	(3,465,258)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 61,490</u>	<u>\$ 1,167,122</u>	<u>\$ 2,201,444</u>	<u>\$ 230,783</u>	<u>\$ 32,810</u>	<u>\$ 3,219</u>	<u>\$ 148,466</u>	<u>\$ 1,130,340</u>	<u>\$ 4,975,674</u>
<u>For the three-month period ended March 31, 2022</u>									
At January 1	\$ 61,490	\$ 1,167,122	\$ 2,201,444	\$ 230,783	\$ 32,810	\$ 3,219	\$ 148,466	\$ 1,130,340	\$ 4,975,674
Additions-cost	-	2,801	3,359	-	-	-	1,428	1,106	8,694
Transfers from Prepayments for equipment	-	337,767	273,329	27,577	633	-	18,845	(379,099)	279,052
Depreciation	-	(16,067)	(87,096)	(8,303)	(3,042)	(233)	(5,984)	-	(120,725)
Disposals-cost	-	-	(543)	-	(869)	(253)	-	-	(1,665)
-accumulated depreciation	-	-	349	-	869	240	-	-	1,458
Net exchange differences	-	15,334	20,333	2,105	187	277	1,179	7,025	46,440
At March 31	<u>\$ 61,490</u>	<u>\$ 1,506,957</u>	<u>\$ 2,411,175</u>	<u>\$ 252,162</u>	<u>\$ 30,588</u>	<u>\$ 3,250</u>	<u>\$ 163,934</u>	<u>\$ 759,372</u>	<u>\$ 5,188,928</u>
<u>March 31, 2022</u>									
Cost	\$ 61,490	\$ 1,990,193	\$ 5,186,405	\$ 460,009	\$ 84,517	\$ 23,131	\$ 289,300	\$ 759,372	\$ 8,854,417
Accumulated depreciation	-	(473,423)	(2,775,230)	(207,847)	(53,929)	(19,881)	(125,366)	-	(3,655,676)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 61,490</u>	<u>\$ 1,506,957</u>	<u>\$ 2,411,175</u>	<u>\$ 252,162</u>	<u>\$ 30,588</u>	<u>\$ 3,250</u>	<u>\$ 163,934</u>	<u>\$ 759,372</u>	<u>\$ 5,188,928</u>

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>January 1, 2021</u>									
Cost	\$ 57,310	\$ 1,540,903	\$ 4,753,528	\$ 395,057	\$ 80,120	\$ 22,303	\$ 233,577	\$ 845,481	\$ 7,928,279
Accumulated depreciation	-	(393,853)	(2,349,069)	(167,643)	(43,613)	(18,788)	(95,707)	-	(3,068,673)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 57,310</u>	<u>\$ 1,137,237</u>	<u>\$ 2,404,459</u>	<u>\$ 227,414</u>	<u>\$ 36,507</u>	<u>\$ 3,515</u>	<u>\$ 137,870</u>	<u>\$ 845,481</u>	<u>\$ 4,849,793</u>
<u>For the three-month period ended March 31, 2021</u>									
At January 1	\$ 57,310	\$ 1,137,237	\$ 2,404,459	\$ 227,414	\$ 36,507	\$ 3,515	\$ 137,870	\$ 845,481	\$ 4,849,793
Additions-cost	-	991	17,960	13,769	4,300	-	20,400	72,845	130,265
Transfers from Prepayments for equipment	-	69	23,709	12,250	3,660	-	8,863	(6,755)	41,796
Depreciation	-	(13,971)	(88,646)	(8,384)	(3,048)	(242)	(5,732)	-	(120,023)
Disposals-cost	-	-	(1,343)	(81)	(1,818)	-	-	-	(3,242)
-accumulated depreciation	-	-	1,261	74	1,818	-	-	-	3,153
Net exchange differences	-	(1,055)	(1,770)	(103)	(25)	116	(170)	(533)	(3,540)
At March 31	<u>\$ 57,310</u>	<u>\$ 1,123,271</u>	<u>\$ 2,355,630</u>	<u>\$ 244,939</u>	<u>\$ 41,394</u>	<u>\$ 3,389</u>	<u>\$ 161,231</u>	<u>\$ 911,038</u>	<u>\$ 4,898,202</u>
<u>March 31, 2021</u>									
Cost	\$ 57,310	\$ 1,540,249	\$ 4,778,583	\$ 420,564	\$ 86,154	\$ 22,399	\$ 262,548	\$ 911,038	\$ 8,078,845
Accumulated depreciation	-	(407,165)	(2,422,953)	(175,625)	(44,760)	(19,010)	(101,317)	-	(3,170,830)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 57,310</u>	<u>\$ 1,123,271</u>	<u>\$ 2,355,630</u>	<u>\$ 244,939</u>	<u>\$ 41,394</u>	<u>\$ 3,389</u>	<u>\$ 161,231</u>	<u>\$ 911,038</u>	<u>\$ 4,898,202</u>

- A. As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group's property, plant and equipment are all for own use.
- B. There was no capitalization of borrowing costs for the three-month periods ended March 31, 2022 and 2021.
- C. For more information regarding the Group's property, plant and equipment pledged to others as of March 31, 2022, December 31, 2021, and March 31, 2021, refer to Note 8, 'Pledged assets'.
- D. Impairment information about the property, plant and equipment is provided in Note 6(9), 'Impairment of non-financial assets'.

(7) Leasing arrangements – lessee

- A. The Group leases various assets including land and transportation equipment. Rental contracts are typically made for periods of 1 to 99 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 the Group may not sublease or transfer leased assets in whole or in part without permission from a lessor.
- B. Short-term leases with a lease term of 12 months or less comprise trucks and warehouses. Low-value assets comprise pallets and air coolers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount		
	March 31, 2022	December 31, 2021	March 31, 2021
	Land	\$ 541,567	\$ 542,529
Transportation equipment	1,210	1,233	–
	\$ 542,777	\$ 543,762	\$ 560,282
	Depreciation charge		
	For the three-month periods ended March 31,		
	2022	2021	
Land	\$ 4,784	\$ 4,848	
Transportation equipment	70	59	
	\$ 4,854	\$ 4,907	

- D. For the three-month periods ended March 31, 2022 and 2021, there were no additions to right-of-use assets.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	For the three-month periods ended March 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 370	\$ 377
Expense on short-term lease contracts	1,084	2,959
Expense on leases of low-value assets	62	185
	<u>\$ 1,516</u>	<u>\$ 3,521</u>

F. For the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflow for leases were \$6,695 and \$8,962, respectively.

(8) Investment property, net

	For the three-month periods ended March 31,	
	2022	2021
	Buildings	Buildings
Opening book amount as at January 1		
Cost	\$ 32,276	\$ 17,428
Accumulated depreciation	(1,849)	(1,031)
	<u>\$ 30,427</u>	<u>\$ 16,397</u>
At January 1	\$ 30,427	\$ 16,397
Depreciation	(389)	(207)
Net exchange differences	1,154	(52)
At March 31	<u>\$ 31,192</u>	<u>\$ 16,138</u>
Closing book amount as at March 31		
Cost	\$ 33,510	\$ 17,372
Accumulated depreciation	(2,318)	(1,234)
	<u>\$ 31,192</u>	<u>\$ 16,138</u>

A. The fair value of the investment property held by the Group as at March 31, 2022, December 31, 2021, and March 31, 2021 were \$40,811, \$40,811 and \$18,487, respectively, which was valued based on the latest transaction price of similar objects in the location. Valuations were made based on most recent transaction prices of similar properties, considering factors such as location, scale and purpose of use, etc., which were categorised within Level 3 in the fair value hierarchy.

B. No borrowing costs were capitalised as part of investment property for the three-month periods ended March 31, 2022 and 2021.

C. As of March 31, 2022, December 31, 2021, and March 31, 2021, no investment property held by the Group was pledged to others.

(9) Impairment of non-financial assets

A. Certain buildings and structures of the Group were located in the special district of Kaohsiung New Town where building permits are currently not being issued. Except for the plant in the first floor, the building permits of the second and third floors cannot yet be obtained which resulted to an impairment in the Group's property, plant and equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly. The Group did not recognise both impairment loss and gain on reversal of impairment loss on certain property, plant and equipment for the three-month periods ended March 31, 2022 and 2021.

B. As of March 31, 2022, December 31, 2021, and March 31, 2021, the balances for accumulated impairment of property, plant and equipment were all \$9,813.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 2,120,000</u>	0.67%~1.04%	None
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 1,948,900</u>	0.69%~0.8%	None
<u>Type of borrowings</u>	<u>March 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 1,667,000</u>	0.68%~0.78%	None

For more information on interest expense recognised in profit or loss by the Group for the three-month periods ended March 31, 2022 and 2021, refer to Note 6(21), 'Finance costs'.

(11) Short-term notes and bills payable

	<u>March 31, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper payable	\$ 40,000	0.82%	None
Less: Unamortised discount	(5)		
	<u>\$ 39,995</u>		
	<u>December 31, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper payable	\$ 90,000	0.84%	None
Less: Unamortised discount	(16)		
	<u>\$ 89,984</u>		

There was no such situation as of March 31, 2021.

A. The above commercial papers were issued and secured by Dah Chung Bills Finance Corporation.

B. For more information on interest expense recognised in profit or loss by the Group for the three-month periods ended March 31, 2022 and 2021, refer to Note 6(21), 'Finance costs'.

(12) Long-term borrowings

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	March 31, 2022
Unsecured bank borrowings	4. 2022~5. 2030	0. 095%~1. 09%	None	\$ 2, 970, 907
Secured borrowings	6. 2022~9. 2022	1. 00%	Machinery (Note 1)	52, 242
				3, 023, 149
Less: Current portion				(646, 491)
				<u>\$ 2, 376, 658</u>

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2021
Unsecured bank borrowings	1. 2022~5. 2030	0. 095%~1. 00%	None	\$ 3, 027, 237
Secured borrowings	3. 2022~9. 2022	1. 00%	Machinery (Note 1)	90, 984
				3, 118, 221
Less: Current portion				(330, 620)
				<u>\$ 2, 787, 601</u>

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	March 31, 2021
Unsecured bank borrowings	4. 2021~5. 2030	0. 095%~1. 00%	None	\$ 2, 472, 112
Secured borrowings	6. 2021~9. 2022	1. 00%	Machinery (Note 2)	182, 800
				2, 654, 912
				(422, 036)
				<u>\$ 2, 232, 876</u>

(Note 1) Jointly guaranteed by Huang Chin-San.

(Note 2) Jointly guaranteed by Huang Chin-San and Huang Ho-Chun.

For more information on interest expense recognised in profit or loss by the Group for the three-month periods ended March 31, 2022 and 2021, refer to Note 6(21), 'Finance costs'.

(13) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Labor Standards Act. 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 insufficient 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 contributions for the deficit by next March. Related information is shown below:

- (a) The pension costs under the defined benefit pension plan of the Company (listed as "Operating costs" and "Operating expenses") for the three-month periods ended March 31, 2022 and 2021 were \$168 and \$252, respectively.
- (b) Expected contributions to the defined benefit pension plan of the Company within one year from March 31, 2022 amount to \$850.

B. Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Group's subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations are based on a certain percentage of the employees' monthly salaries and wages (see Note below). Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2022 and 2021 were \$6,106 and \$7,014, respectively.

(14) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares in thousands):

	For the three-month periods ended March 31,	
	2022	2021
Beginning and ending number of shares	72, 600	72, 600

B. As of March 31, 2022, the Company's authorised capital was \$1,000,000 and the paid-in capital was \$726,000, consisting of 72,600 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(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 Act 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. 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.
- B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve shall be set aside if needed. The remainder, if any, to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

The Company's business is in the growth stage and it will continue to invest in order to stabilise market competition position. In order to meet future capital needs and long-term financial plan, the residual dividend policy is adopted for the distribution of dividends. The Company measures future capital requirements in accordance with the Company's future capital budget and finances it with retained earnings. The remainder is distributed in the form of cash dividends and share dividends. However, cash dividends shall account for at least 10% of the total dividends.

C. Special reserve

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No.1010012865, dated April 6, 2012, was \$44,348 and shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- D. The Company recognised cash dividends distributed to owners amounting to \$871,200 (\$12 (in dollars) per share as cash dividend) for the year ended December 31, 2021. On March 15, 2022, total dividends for 2021 of \$87,120 (\$1.2 (in dollars) per share as cash dividend) was proposed by the Board of Directors. Such dividend payable was not recognised in this consolidated financial report.

(17) Operating revenue

	For the three-month periods ended March 31,	
	2022	2021
Revenue from contracts with customers	<u>\$ 1,294,987</u>	<u>\$ 1,812,088</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from providing nonwoven goods in the following major product lines:

	For the three-month period ended March 31, 2022			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Other	Total
Biotechnology	\$ 216,577	\$ 203,253	\$ –	\$ 419,830
Spunlace nonwovens	262,493	133,206	–	395,699
Air-through nonwovens	131,810	249,912	1,474	383,196
Disposable surgical gowns	63,740	32,522	–	96,262
	<u>\$ 674,620</u>	<u>\$ 618,893</u>	<u>\$ 1,474</u>	<u>\$ 1,294,987</u>

	For the three-month period ended March 31, 2021			Total
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.		
Biotechnology	\$ 299,497	\$ 273,811	\$	\$ 573,308
Spunlace nonwovens	327,248	249,523		576,771
Air-through nonwovens	130,347	371,851		502,198
Disposable surgical gowns	86,001	73,810		159,811
	<u>\$ 843,093</u>	<u>\$ 968,995</u>		<u>\$ 1,812,088</u>

B. The Group has recognised the following revenue-related contract liabilities:

	March 31, 2022	December 31, 2021
Contract liabilities - current	<u>\$ 16,715</u>	<u>\$ 20,151</u>
	March 31, 2021	January 1, 2021
Contract liabilities - current	<u>\$ 44,350</u>	<u>\$ 51,144</u>

Revenue recognised that was included in the contract liability balance at the beginning of the three-month periods ended March 31, 2022 and 2021 were \$16,239 and \$37,197, respectively.

(18) Interest income

	For the three-month periods ended March 31,	
	2022	2021
Bank deposits	\$ 3,338	\$ 704
Financial assets at amortised cost	–	155
	<u>\$ 3,338</u>	<u>\$ 859</u>

(19) Other income

	For the three-month periods ended March 31,	
	2022	2021
Grant income	\$ 729	\$ 88
Income from renewable energy sold	2,838	3,022
Miscellaneous income	2,151	2,129
	<u>\$ 5,718</u>	<u>\$ 5,239</u>

(20) Other gains and losses

	For the three-month periods ended March 31,	
	2022	2021
Net gain (loss) on disposal of property, plant and equipment	\$ 72	(\$ 7)
Net currency exchange gain	40,100	16,894
Other losses	(685)	(213)
	<u>\$ 39,487</u>	<u>\$ 16,674</u>

(21) Finance costs

	For the three-month periods ended March 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 8,992	\$ 7,643
Interest expense on lease liabilities	370	377
	<u>\$ 9,362</u>	<u>\$ 8,020</u>

(22) Expenses by nature

	For the three-month period ended March 31, 2022		
	Operating expense		
	Operating cost	(Note)	Total
Employee benefit expenses	\$ 100,286	\$ 42,159	\$ 142,445
Depreciation charges	117,363	8,605	125,968
Amortisation charges	-	42	42

	For the three-month period ended March 31, 2021		
	Operating expense		
	Operating cost	(Note)	Total
Employee benefit expenses	\$ 142,571	\$ 45,947	\$ 188,518
Depreciation charges	117,538	7,599	125,137
Amortisation charges	-	41	41

(Note) Including transactions listed as “Other gains and losses”.

(23) Employee benefit expense

	For the three-month period ended March 31, 2022		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 81,991	\$ 34,017	\$ 116,008
Labor and health insurance expense	6,482	3,262	9,744
Pension costs	4,713	1,561	6,274
Other personnel expenses	7,100	3,319	10,419
	<u>\$ 100,286</u>	<u>\$ 42,159</u>	<u>\$ 142,445</u>

	For the three-month period ended March 31, 2021		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 118,964	\$ 40,052	\$ 159,016
Labor and health insurance expense	10,208	2,693	12,901
Pension costs	5,758	1,508	7,266
Other personnel expenses	7,641	1,694	9,335
	<u>\$ 142,571</u>	<u>\$ 45,947</u>	<u>\$ 188,518</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ remuneration. The ratio shall not be lower than 1% for employees’ compensation and shall not be higher than 2% for directors’ remuneration. Employees’ compensation will be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive aforementioned share or cash. Directors’ remuneration will be distributed in the form of cash. The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors,

have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.

- B. For the three-month periods ended March 31, 2022 and 2021, employees' compensation was accrued at \$— and \$1,800, respectively; while directors' remuneration was accrued at \$— and \$1,200, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised were accrued based on the profit of current period distributable and the percentage specified in the Articles of Incorporation of the Company. The amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were the same as the estimated amount of \$1,127 and \$780 recognised in the 2021 financial statements, respectively. The employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

- A. Components of income tax expense:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$ 12,698	\$ 43,481
Prior year income tax overestimation	(2)	—
	<u>12,696</u>	<u>43,481</u>
Deferred tax:		
Origination and reversal of temporary differences	(6,561)	(5,879)
Income tax expense	<u>\$ 6,135</u>	<u>\$ 37,602</u>

- B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of May 12, 2022, there was no administrative lawsuit.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(a) Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ -
Add: Opening balance of other payables	-	84,130
Cash paid for acquisition of financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 84,130</u>

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(b) Purchase of property, plant and equipment	\$ 8,694	\$ 130,265
Add: Opening balance of notes payable	2,627	3,284
Opening balance of other payables	83,434	66,330
Less: Ending balance of notes payable	(1,020)	(2,003)
Ending balance of other payables	(37,881)	(90,258)
Cash paid for purchase of property, plant and equipment	<u>\$ 55,854</u>	<u>\$ 107,618</u>

B. Investing activities with no cash flow effect:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Prepayments for equipment transferred to property, plant and equipment	<u>\$ 279,052</u>	<u>\$ 41,796</u>

(27) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposit received	Liabilities from financing activities-gross
Balance at January 1, 2022	\$ 1,948,900	\$ 89,984	\$ 388,971	\$ 3,118,221	\$ 999	\$ 5,547,075
Changes in cash flow from financing activities	171,100	(49,989)	(5,179)	(86,942)	-	28,990
Changes in other non-cash items	-	-	-	(8,130)	-	(8,130)
Impact of changes in foreign exchange rate	-	-	-	-	38	38
Balance at March 31, 2022	<u>\$ 2,120,000</u>	<u>\$ 39,995</u>	<u>\$ 383,792</u>	<u>\$ 3,023,149</u>	<u>\$ 1,037</u>	<u>\$ 5,567,973</u>

	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposit received	Liabilities from financing activities-gross
Balance at January 1, 2021	\$ 1,667,000	\$ 398,669	\$ 2,729,889	\$ 1,004	\$ 4,796,562
Changes in cash flow from financing activities	-	(5,441)	(65,816)	-	(71,257)
Changes in other non-cash items	-	377	(9,161)	-	(8,784)
Impact of changes in foreign exchange rate	-	-	-	(3)	(3)
Balance at March 31, 2021	<u>\$ 1,667,000</u>	<u>\$ 393,605</u>	<u>\$ 2,654,912</u>	<u>\$ 1,001</u>	<u>\$ 4,716,518</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Huang Chin-San	Key management personnel of the Company
Huang Ho-Chun	Key management personnel of the Company

(2) Significant related party transactions

Secured bank borrowings that the Group borrowed from the banks as of March 31, 2022 and December 31, 2021 were guaranteed by Huang Chin-San; in addition, as of March 31, 2021, secured bank borrowings that the Group borrowed from the bank were jointly guaranteed by Huang Chin-San and Huang Ho-Chun.

(3) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 4,788	\$ 5,112
Service allowance	90	90
	<u>\$ 4,878</u>	<u>\$ 5,202</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	
Machinery-net and Transportation equipment-net (Note)	<u>\$ 1,229,166</u>	<u>\$ 922,232</u>	<u>\$ 983,169</u>	Long-term borrowings

(Note) Shown as "Property, plant and equipment".

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) As of March 31, 2022, December 31, 2021, and March 31, 2021, the balances for contracts that the Group entered into but not yet incurred are \$606,096, \$587,266 and \$801,994, respectively.

(2) As of March 31, 2022, December 31, 2021, and March 31, 2021, the unused letters of credit amounted to \$—, \$64,926 and \$8,973, respectively.

(3) The details of endorsement and guarantees provided to others are described in Note 13(1)-B.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, maintain an optimal capital structure to both reduce the cost of capital and meet the monetary needs of improving productivity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Group are described in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.

(iii) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: RMB and INR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2022			
(foreign currency: functional currency)	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 20,686	28.63	\$ 592,137
USD : RMB	16,188	6.35	463,382
RMB : NTD	189	4.51	852
EUR : NTD	32	31.92	1,021
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1,582	28.63	45,285
USD : RMB	853	6.35	24,417
EUR : NTD	3,986	31.92	127,233
December 31, 2021			
(foreign currency: functional currency)	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 22,621	27.68	\$ 626,149
USD : RMB	14,618	6.38	404,626
RMB : NTD	1,911	4.34	8,294
EUR : NTD	23	31.32	720
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	2,387	27.68	66,072
USD : RMB	1,430	6.38	39,582
EUR : NTD	3,618	31.32	113,316

(foreign currency: functional currency)	March 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 22,750	28.54	\$ 649,285
USD : RMB	17,769	6.57	507,127
RMB : NTD	14,779	4.34	64,141
EUR : NTD	53	33.48	1,774
EUR : RMB	89	7.70	2,980
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1,891	28.54	53,969
USD : RMB	3,877	6.57	110,650
EUR : NTD	7,390	33.48	247,417
JPY : RMB	37,700	0.06	9,715

(iv) As of March 31, 2022 and 2021, if the Group's functional currency exchange rate to foreign currencies had appreciated/depreciated by 1% with all other factors remaining constant, the post-tax profit for the three-month periods ended March 31, 2022 and 2021 would have increased/decreased by \$8,605 and \$8,036, respectively.

(v) The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2022 and 2021 amounted to \$40,100 and \$16,894, respectively.

ii. Price risk

(i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(ii) The Group's investments in equity securities comprise shares issued by the foreign 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, other components of equity for the three-month periods ended March 31, 2022 and 2021 would increased/decreased by \$841, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

iii. Cash flow and fair value interest rate risk

(i) The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate.

During the three-month periods ended March 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in New Taiwan dollars and EUR dollars.

- (ii) If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2022 and 2021 would have decreased/increased by \$90 and \$76, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. For banks and financial institutions, only those with high credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.
- iii. In line with the credit risk management procedure, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. In line with the credit risk management procedure, the default occurs when the contract payments are past due over 180 days.
- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vi. The Group classifies customer's receivables in accordance with the credit rating of the customer. The Group applies the modified approach using the provision matrix to estimate expected credit loss. The Group used the forecastability of conditions to adjust historical and timely information to assess the default possibility of receivables, whereby rate ranging from 1% to 100% are applied to the provision matrix. Movements in relation to the Group applying the modified approach to provide loss allowance for receivables are as follows:

	<u>For the three-month period ended March 31, 2022</u>		
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Long-term receivables</u>
At January 1	\$ 1,777	\$ 29,621	\$ 4,495
Expected credit gains	(293)	(10,767)	-
Effect of foreign exchange	-	527	-
At March 31	<u>\$ 1,484</u>	<u>\$ 19,381</u>	<u>\$ 4,495</u>

	<u>For the three-month period ended March 31, 2021</u>		
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Long-term receivables</u>
At January 1	\$ 2,777	\$ 61,243	\$ 3,987
Expected credit gains	-	(21,792)	-
Effect of foreign exchange	-	(50)	-
At March 31	<u>\$ 2,777</u>	<u>\$ 39,401</u>	<u>\$ 3,987</u>

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Floating rate:			
Expiring within one year	\$ 1,424,978	\$ 1,889,375	\$ 1,728,511
Expiring beyond one year	<u>3,523,054</u>	<u>3,402,569</u>	<u>3,292,374</u>
	<u>\$ 4,948,032</u>	<u>\$ 5,291,944</u>	<u>\$ 5,020,885</u>

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

<u>March 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$2, 122, 271	\$ -	\$ -	\$ -
Short-term notes and bills payable	40, 000			
Notes payable	581, 449	-	-	-
Accounts payable	317, 337	-	-	-
Other payables	202, 919	-	-	-
Lease liabilities	12, 701	29, 465	31, 670	399, 435
Long-term borrowings (Including current portion)	664, 502	1, 934, 457	173, 916	277, 994
Guarantee deposits received	-	-	-	1, 037
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$1, 951, 535	\$ -	\$ -	\$ -
Short-term notes and bills payable	90, 000	-	-	-
Notes payable	555, 074	-	-	-
Accounts payable	556, 834	-	-	-
Other payables	298, 440	-	-	-
Lease liabilities	13, 008	29, 291	32, 160	403, 398
Long-term borrowings (Including current portion)	349, 092	2, 251, 217	307, 571	242, 475
Guarantee deposits received	-	-	-	999

<u>March 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$1, 669, 034	\$ -	\$ -	\$ -
Notes payable	505, 091	-	-	-
Accounts payable	388, 938	-	-	-
Other payables	365, 483	-	-	-
Lease liabilities	12, 936	26, 426	31, 810	416, 067
Long-term borrowings (Including current portion)	438, 529	1, 683, 929	433, 070	133, 001
Guarantee deposits received	-	-	-	1, 001

v. The Group does not expect the maturity date to end early nor the actual cash flow to be materially 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.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

B. Fair value information of investment property at cost is provided in Note 6(8).

C. Financial assets and financial liabilities not measured at fair value. The carrying amounts of cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at March 31, 2022, December 31, 2021 and March 31, 2021 are as follows:

<u>March 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u> -</u>	\$ <u> -</u>	\$ <u>84,130</u>	\$ <u>84,130</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 measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u> -</u>	\$ <u> -</u>	\$ <u>84,130</u>	\$ <u>84,130</u>
<u>March 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u> -</u>	\$ <u> -</u>	\$ <u>84,130</u>	\$ <u>84,130</u>

- E. For the three-month periods ended March 31, 2022 and 2021, there was no transfer into or out from Level 3.
- F. The following chart is the movement of Level 3 for the three-month periods ended March 31, 2022 and 2021:

<u>For the three-month period ended March 31, 2022</u>	<u>Equity securities (Note)</u>
Beginning and ending balance	\$ <u> 84,130</u>
<u>For the three-month period ended March 31, 2021</u>	<u>Equity securities (Note)</u>
Beginning and ending balance	\$ <u> 84,130</u>

(Note) For the three-month periods ended March 31, 2022 and 2021, there was no adjustment to the Level 3 equity securities at fair value, because the movement was not immaterial.

- G. Finance 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 to the fair value.
- 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:

	March 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 86,409	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 85,026	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	March 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 84,130	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets categorised within Level 3, if the inputs used to valuation models have changed by 1%, the effect on other comprehensive income would have been by \$1,052 and \$841 for the three-month periods ended March 31, 2022 and 2021, respectively.

(4) Others

Due to Covid-19 pandemic and the government's various prevention measures, the Group implemented workplace hygiene management measures in accordance with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-

19)" and managed related issues continuously. In Taiwan, except for those employees who worked in office under a staggered shift pattern, the employees in the plant were working normally and there was no significant adverse impact on the Group's operations.

13. Supplementary Disclosures

According to the current regulatory requirements, the Group is only required to disclose the information for the three-month period ended March 31, 2022.

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 9.

(4) Major shareholders information

Refer to table 10.

14. Segment Information

(1) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision-maker in order to make strategic decisions. The Group's organization basis of identification and measurement of segment information had no significant changes in this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on

segment pre-tax income.

(3) Information about segment profit or loss and assets

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the three-month period ended March 31, 2022			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Others	Total
Segment revenue	\$ 680,030	\$ 753,102	\$ 1,474	\$ 1,434,606
Inter-segment revenue	(5,410)	(134,209)	-	(139,619)
Revenue from external customers, net	<u>\$ 674,620</u>	<u>\$ 618,893</u>	<u>\$ 1,474</u>	<u>\$ 1,294,987</u>
Segment (loss) profit	<u>(\$ 55,119)</u>	<u>\$ 50,170</u>	<u>(\$ 16,320)</u>	<u>(\$ 21,269)</u>
Segment assets	<u>\$ 5,517,527</u>	<u>\$ 3,428,257</u>	<u>\$ 1,421,642</u>	<u>\$ 10,367,426</u>

	For the three-month period ended March 31, 2021			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Others	Total
Segment revenue	\$ 843,093	\$ 1,159,750	\$ -	\$ 2,002,843
Inter-segment revenue	-	(190,755)	-	(190,755)
Revenue from external customers, net	<u>\$ 843,093</u>	<u>\$ 968,995</u>	<u>\$ -</u>	<u>\$ 1,812,088</u>
Segment profit (loss)	<u>(\$ 32,959)</u>	<u>\$ 179,560</u>	<u>(\$ 10,348)</u>	<u>\$ 136,253</u>
Segment assets	<u>\$ 5,778,065</u>	<u>\$ 3,769,584</u>	<u>\$ 1,193,719</u>	<u>\$ 10,741,368</u>

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income before income tax is provided as follows:

	For the three-month periods ended March 31,	
	2022	2021
Reportable segment income before income tax	(\$ 4,949)	\$ 146,601
Other segments loss before income tax	(16,320)	(10,348)
Inter-segment profit	<u>39,181</u>	<u>14,752</u>
Profit before income tax	<u>\$ 17,912</u>	<u>\$ 151,005</u>

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Loans to others

For the three-month period ended March 31, 2022

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended March 31, 2022	Balance at March 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
													Item	Value			
1	Nanliu Enterprise (Samoa) Co., Ltd.	Nan Liu Enterprise Co., Ltd.	Other receivables	Y	\$ 715,625	\$ 715,625	\$ 715,625	2.0%	Short-term financing	\$ -	Repayments of borrowings	\$ -	-	\$ -	\$ 1,915,251	\$ 1,915,251	-
		Nanliu Manufacturing (India) Private Limited	Long-term receivables	Y	715,625	715,625	715,625	3.5%	Short-term financing	-	Construction of plants and acquisition of machinery	-	-	-	1,915,251	1,915,251	-

Note 1: Calculations of limit on ceiling on total loans granted and limit on loans granted to a single party were as follows:

The maximum amount for total loan is 40% of its net worth; the maximum amount for individual enterprise is as follows:

(1) For trading partner: shall not exceed 30% of its net worth and shall not be higher than the purchase or sales amount of the most recent year.

(2) For short-term financing: the maximum amount for total loan is 30% of its net worth; for the 50% directly and indirectly owned subsidiaries are not subject to such limitation, however, it shall not exceed 40% of its net worth.

Note 2: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of March 31, 2022 as follows: USD:NTD 1:28.625.

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
For the three-month period ended March 31, 2022

Table 2

Expressed in thousands of NTD

Number	Endorser/guarantor	Endorsee		Endorsement limit for a single entity (Note 2)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	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 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship											
0	Nan Liu Enterprise Co., Ltd.	Nanliu Manufacturing (India) Private Limited	(Note 1)	\$ 7,209,658	\$ 679,272	\$ 679,272	\$ 12,502	\$ -	18.84%	\$ 7,209,658	Y	N	N	—

Note 1: The Company directly owns over 50% ownership of the investee company.

Note 2: The total amount of transactions of endorsement equals to 200% of the Company's net worth and the limit of endorsement for any single entity is 200% of the Company's net worth.

For the Group, the overall amount of transactions of endorsement equals to 200% of its net worth and the limit of endorsement for any single entity is 200% of its net worth.

For trading partner: shall not exceed 30% of its net worth and shall not be higher than the transaction amount of the most recent year.

Note 3: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of March 31, 2022 as follows: USD:NTD 1:28.625 ; INR:NTD 1:0.377.

Nan Liu Enterprise Co., Ltd. and Subsidiaries

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

March 31, 2022

Table 3 Expressed in thousands of NTD

<u>Held company name</u>	<u>Marketable securities type and name</u>	<u>Relationship with the company</u>	<u>Financial statements item</u>	<u>March 31, 2022</u>				
				<u>Shares/units (in thousands)</u>	<u>Carrying value</u>	<u>Percentage of ownership (%)</u>	<u>Fair value</u>	<u>Footnote</u>
Nanliu Enterprise (Samoa) Co., Ltd.	Stock: Principle & Will Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	2,000	\$ 84,130	10.00%	\$ 86,409	—

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the three-month period ended March 31, 2022

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Subsidiary	Purchases	\$ 134,209	30%	Closes its accounts 60 days after the end of each month by T/T	\$ -	Same with the third parties	(\$ 84,196)	(31%)	—
Nanliu Enterprises (Pinghu) Ltd.	Nan Liu Enterprise Co., Ltd.	The company	(Sales)	(134,209)	(18%)	Closes its accounts 60 days after the end of each month by T/T	-	"	84,196	13%	—

(Note) Foreign currencies were translated into New Taiwan Dollars using the following exchange rates: Ending balances of receivables and payables were translated using the exchange rates as of March 31, 2022 (USD:NTD 1:28.625); Amounts of transactions were translated using the weighted-average exchange rate for the three-month period ended March 31, 2022 (USD:NTD 1:27.994).

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
March 31, 2022

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship	Balance as of March 31, 2022		Turnover rate	Overdue receivables		Subsequent collections	Allowance for doubtful accounts
			Items	Amount		Amount	Action taken		
Nanliu Enterprise (Samoa) Co., Ltd.	Nan Liu Enterprise Co., Ltd.	The Company	Other receivables	\$ 716,380	—	\$ -	—	\$ -	\$ -
	Nanliu Manufacturing (India) Private Limited	Subsidiary	Long-term receivables	669,620	—	-	—	-	-

(Note) Foreign currencies were translated into New Taiwan Dollars at the exchange rate as of March 31, 2022 as follows: USD:NTD 1:28.625.

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
For the three-month period ended March 31, 2022

Table 6

Expressed in thousands of NTD

Number	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	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	1	Purchases	\$ 134,209	Closes its accounts 60 days after the end of each month by T/T	10%
		Nanliu Manufacturing (India) Private Limited	1	Endorsements and guarantees	679,272		—
1	Nanliu Enterprise (Samoa) Co., Ltd.	Nan Liu Enterprise Co., Ltd.	2	Other receivables	716,380	—	7%
		Nanliu Manufacturing (India) Private Limited	3	Long-term notes receivables	669,620	—	6%

Note 1: As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$100,000 are disclosed.

Note 2: 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 3: 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 4: 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 5: Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances and carrying amounts were translated using the exchange rate as of report date (USD:NTD 1:28.625; RMB:USD 1:0.1575); amounts of transactions were translated using the weighted-average exchange rate for the three-month period ended March 31, 2022 (USD:NTD 1:27.994; RMB:USD 1:0.1576).

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Information on investees

For the three-month period ended March 31, 2022

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2022			Net profit (loss) of the investee for the three-month period ended March 31, 2022	Investment income (loss) recognised for the three-month period ended March 31, 2022	Footnote
				Balance as at March 31, 2022	Balance as at December 31, 2021 (Note)	Number of shares	Ownership (%)	Book value			
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Samoa) Co., Ltd.	Samoa	General investment	\$ 1,643,224	\$ 1,643,224	52,948,159	100.00	\$ 4,784,960	\$ 74,596	\$ 75,174	Subsidiary
	Ching-Tsun Biomedical Technology Co., Ltd.	Taiwan	Research and development of health care and hygiene products as well as sales of skin care products	40,000	40,000	4,000,000	100.00	38,951 (55) (55)	Subsidiary
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Manufacturing (India) Private Limited	India	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	373,583	373,583	93,800,000	100.00	266,283 (15,141) (15,141)	Subsidiary
	Nan Fang Enterprise (India) Private Limited	India	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	284,350	284,350	75,000,000	100.00	280,865	742	742	Subsidiary

(Note) Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances and carrying amounts were translated using the exchange rate as of March 31, 2022 (INR:NTD 1:0.377); amounts of transactions were translated using the weighted-average exchange rate for the three-month period ended March 31, 2022 (INR:NTD 1:0.369).

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Information on investments in Mainland China
For the three-month period ended March 31, 2022

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the three-month period ended March 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022	Net income of investee for the three-month period ended March 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2022 (Note 2)	Book value of investments in Mainland China as of March 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan									
Nanliu Enterprises (Pinghu) Ltd.	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	\$ 1,846,701	(Note 1)	\$ 1,487,607	\$ -	\$ -	\$ 1,487,607	\$ 36,865	100.00	\$ 37,442	\$ 2,650,211	\$ -	-	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investment in Mainland China by the Investment Commission of MOEA (Note 3)</u>											
Nan Liu Enterprise Co., Ltd.	\$ 1,487,607	\$ 1,877,537	\$ 2,162,897											

(Note 1) Indirect investment in Mainland China through an existing company (Nanliu Enterprise (Samoa) Co., Ltd.) located in the third area.

(Note 2) The Company recognised income (loss) based on reviewed financial statements.

(Note 3) The ceiling amount is 60% of consolidated net assets.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances and carrying amounts were translated using the exchange rate as of report date (RMB:NTD 1:4.509); amounts of transactions were translated using the weighted-average exchange rate for the three-month period ended March 31, 2022 (RMB:NTD 1:4.411).

Nan Liu Enterprise Co., Ltd. and Subsidiaries

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

For the three-month period ended March 31, 2022

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the three-month period ended March 31, 2022	Others	
	Amount	%	Amount	%	Balance at March 31, 2022	%	Balance at March 31, 2022	Purpose	Maximum balance during the three-month period ended March 31, 2022	Balance at March 31, 2022	Interest rate			
Nanliu Enterprises (Pinghu) Ltd.	(\$ 134,209)	(30%)	\$ -	-	(\$ 84,196)	(31%)	\$ -	-	\$ -	-	\$ -	-	\$ -	-

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Major shareholders information

March 31, 2022

Table 10

Unit:shares

Name of the key shareholder	Number of shares		Ownership (%)	Footnote
	Common shares	Preferred shares		
Tianziding Investment Co., Ltd.	8,731,659	-	12.03%	—
Neizhuang Investment Co., Ltd.	5,998,924	-	8.26%	—
Huang Chin-San	5,288,978	-	7.29%	—
Bisiou Investment Co., Ltd.	5,090,929	-	7.01%	—
Jun-Yi Investment Co., Ltd.	3,632,000	-	5.00%	—

Notes: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares issued in dematerialised form due to the different calculation basis.