

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

Existence of sales revenue

Description

Refer to Note 4(22) for accounting policies on revenue recognition and Note 6(16) for details of operating revenue. The Company's operating revenues for the year ended December 31, 2021 was NT\$3,215,624 thousand.

The Company's sales revenue mainly arose from sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. As the Company has numerous trading counterparties around the world such as Taiwan, Asia and America, voluminous transactions and the verification of sales revenues takes time, the existence of sales revenue has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Understood, evaluated and tested the effectiveness of internal controls over sales revenue.
2. Performed substantive test on selected sales transactions including confirming orders, shipping documents, export declarations and invoices or subsequent cash receipts.

Appropriateness of inventory valuation

Description

Refer to Note 4(8) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimations and assumptions relating to inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2021, the carrying amount of inventories and allowance for inventory valuation loss are NT\$370,546 thousand and NT\$26,695 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. As the net realisable value of its inventories fluctuate based on market demand and sales strategy, there is a higher risk of incurring inventory valuation loss or having obsolete inventories. The Company's inventories are stated at the lower of cost and net realisable value. The Company also individually identifies the net realisable value of inventories that are over a certain age, obsolete or damaged and recognises related loss if any. As the amount of inventories is significant, the types of inventories are various and the valuation of the net realisable value involves a high degree of estimation uncertainty, the appropriateness of inventory valuation has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss.
2. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
3. Verified the appropriateness of the net realisable value of inventories and the logic in inventory ageing report which was used for valuation and discussed and checked the related supporting documents with the management to assess the adequacy of allowance for inventory valuation loss.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal

control that we identify during our audit.

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

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

Lin, Tzu-Shu

Independent Auditors

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

March 15, 2022

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

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

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 475,106	5	\$ 524,008	5
1136	Financial assets at amortised cost-current	6(1)(2)	-	-	88,830	1
1150	Notes receivable, net	6(3) and 12	44,908	1	62,053	-
1170	Accounts receivable, net	6(3), 7 and 12	435,742	4	696,430	7
1200	Other receivables		4,493	-	4,023	-
130X	Inventories	5 and 6(4)	343,851	3	481,383	5
1410	Prepayments		195,682	2	198,316	2
11XX	Total current assets		<u>1,499,782</u>	<u>15</u>	<u>2,055,043</u>	<u>20</u>
Non-current assets						
1550	Investments accounted for using equity method	6(5)	4,644,724	45	4,456,705	42
1600	Property, plant and equipment	6(6)(8), 7 and 8	3,478,901	34	3,337,535	32
1755	Right-of-use assets	6(7)	401,414	4	418,140	4
1840	Deferred income tax assets	6(23)	55,040	-	28,931	-
1915	Prepayments for equipment	6(6)	82,964	1	90,757	1
1920	Guarantee deposits paid		43,380	-	32,717	-
1990	Other non-current assets	12	62,907	1	79,205	1
15XX	Total non-current assets		<u>8,769,330</u>	<u>85</u>	<u>8,443,990</u>	<u>80</u>
1XXX	Total assets		<u>\$ 10,269,112</u>	<u>100</u>	<u>\$ 10,499,033</u>	<u>100</u>

(Continued)

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 1,948,900	19	\$ 1,667,000	16
2110	Short-term notes and bills payable	6(10)	89,984	1	-	-
2130	Contract liabilities - current	6(16)	3,506	-	19,039	-
2150	Notes payable		60,422	1	113,728	1
2170	Accounts payable		119,497	1	142,315	1
2180	Accounts payable - related parties	7	112,739	1	153,742	2
2200	Other payables		179,255	2	219,313	2
2220	Other payables - related parties	7	692,730	7	484,456	5
2230	Current income tax liabilities	6(23)	10,670	-	227,722	2
2280	Lease liabilities - current	6(7)	10,129	-	10,627	-
2320	Long-term liabilities, current portion	6(11) and 8	330,620	3	426,840	4
21XX	Total current liabilities		<u>3,558,452</u>	<u>35</u>	<u>3,464,782</u>	<u>33</u>
Non-current liabilities						
2540	Long-term borrowings	6(11) and 8	2,787,601	27	2,303,049	22
2570	Deferred income tax liabilities	6(23)	10,964	-	7,650	-
2580	Lease liabilities - non-current	6(7)	377,596	4	388,042	4
2640	Net defined benefit liabilities, non-current	6(12)	45,515	-	67,259	-
25XX	Total non-current liabilities		<u>3,221,676</u>	<u>31</u>	<u>2,766,000</u>	<u>26</u>
2XXX	Total liabilities		<u>6,780,128</u>	<u>66</u>	<u>6,230,782</u>	<u>59</u>
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(13)	726,000	7	726,000	7
3200	Capital surplus	6(14)	453,467	4	453,467	4
Retained earnings						
3310	Legal reserve	6(15)	629,412	6	483,750	5
3320	Special reserve		382,531	4	382,531	4
3350	Unappropriated retained earnings		1,673,403	16	2,572,271	24
3400	Other equity interest	6(5)	(375,829)	(3)	(349,768)	(3)
3XXX	Total equity		<u>3,488,984</u>	<u>34</u>	<u>4,268,251</u>	<u>41</u>
Contingent Liabilities and Commitments						
3X2X	Total liabilities and equity		<u>\$ 10,269,112</u>	<u>100</u>	<u>\$ 10,499,033</u>	<u>100</u>

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

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	\$ 3,215,624	100	\$ 5,176,171	100
5000	Operating costs	6(4)(12)(21)(22) and 7	(3,057,791)	(95)	(3,619,756)	(70)
5900	Operating margin		157,833	5	1,556,415	30
5920	Realised profit from sales	6(5)	-	-	3,045	-
5950	Net operating margin		157,833	5	1,559,460	30
	Operating expenses	6(12)(21)(22), 7 and 12				
6100	Selling expenses		(125,277)	(4)	(121,989)	(2)
6200	General and administrative expenses		(136,117)	(4)	(176,304)	(4)
6300	Research and development expenses		(49,881)	(2)	(53,008)	(1)
6450	Expected credit gains (losses)		15,033	1	(20,290)	-
6000	Total operating expenses		(296,242)	(9)	(371,591)	(7)
6900	Operating (loss) profit		(138,409)	(4)	1,187,869	23
	Non-operating income and expenses					
7100	Interest income	6(2)(17)	1,381	-	1,168	-
7010	Other income	6(18)	34,920	1	28,984	-
7020	Other gains and losses	6(6)(19) and 12	25,425	1	(12,770)	-
7050	Finance costs	6(6)(7)(20) and 7	(42,594)	(1)	(49,395)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	204,080	6	515,471	10
7000	Total non-operating income and expenses		223,212	7	483,458	9
7900	Profit before income tax		84,803	3	1,671,327	32
7950	Income tax benefit (expense)	6(23)	32,465	1	(217,604)	(4)
8200	Profit for the year		<u>\$ 117,268</u>	<u>4</u>	<u>\$ 1,453,723</u>	<u>28</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plan	6(12)	\$ 907	-	\$ 3,625	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(181)	-	(725)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(5)	(26,061)	(1)	32,763	1
8300	Other comprehensive (loss) income for the year		<u>(\$ 25,335)</u>	<u>(1)</u>	<u>\$ 35,663</u>	<u>1</u>
8500	Total comprehensive income for the year		<u>\$ 91,933</u>	<u>3</u>	<u>\$ 1,489,386</u>	<u>29</u>
	Earnings per share (in dollars)	6(24)				
9750	Basic		<u>\$ 1.62</u>		<u>\$ 20.02</u>	
9850	Diluted		<u>\$ 1.61</u>		<u>\$ 19.99</u>	

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

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital — common stock	Capital surplus	Retained Earnings			Other Equity Interest	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
<u>For the year ended December 31, 2020</u>								
Balance at January 1, 2020		\$ 726,000	\$ 453,467	\$ 431,149	\$ 264,937	\$ 1,612,543	(\$ 382,531)	\$ 3,105,565
Profit for the year		-	-	-	-	1,453,723	-	1,453,723
Other comprehensive income for the year	6(5)(12)	-	-	-	-	2,900	32,763	35,663
Total comprehensive income		-	-	-	-	1,456,623	32,763	1,489,386
Distribution of 2019 net income								
Legal reserve		-	-	52,601	-	(52,601)	-	-
Special reserve		-	-	-	117,594	(117,594)	-	-
Cash dividends	6(15)	-	-	-	-	(326,700)	-	(326,700)
Balance at December 31, 2020		\$ 726,000	\$ 453,467	\$ 483,750	\$ 382,531	\$ 2,572,271	(\$ 349,768)	\$ 4,268,251
<u>For the year ended December 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 year		-	-	-	-	117,268	-	117,268
Other comprehensive income (loss) for the year	6(5)(12)	-	-	-	-	726	(26,061)	(25,335)
Total comprehensive income (loss)		-	-	-	-	117,994	(26,061)	91,933
Distribution of 2020 net income								
Legal reserve		-	-	145,662	-	(145,662)	-	-
Cash dividends	6(15)	-	-	-	-	(871,200)	-	(871,200)
Balance at December 31, 2021		\$ 726,000	\$ 453,467	\$ 629,412	\$ 382,531	\$ 1,673,403	(\$ 375,829)	\$ 3,488,984

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

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 84,803	\$ 1,671,327
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit (gains) losses	12	(15,033)	20,290
Reversal of allowance for inventory market price decline	6(4)	(5,323)	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	(204,080)	(515,471)
Realised profit from sales	6(5)	-	(3,045)
Depreciation	6(6)(7)(21)	311,080	237,256
Gain on disposal of property, plant and equipment	6(19)	(80)	(114)
Amortisation of other non-current assets		16,298	9,670
Unrealised exchange gains of long-term borrowings		(16,929)	(9,086)
Interest income	6(17)	(1,381)	(1,168)
Interest expense	6(20)	42,594	49,395
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		18,145	(14,613)
Accounts receivable		274,721	(253,331)
Other receivables		(564)	5,284
Inventories		142,855	(73,883)
Prepayments		2,634	(31,040)
Changes in operating liabilities			
Contract liabilities - current		(15,533)	18,736
Notes payable		(52,649)	59,313
Accounts payable		(22,818)	30,575
Accounts payable - related parties		(41,003)	(29,618)
Other payables		(68,588)	77,809
Net defined benefit liabilities - non-current		(20,837)	(7,040)
Cash inflow generated from operations		428,312	1,241,246
Interest received		1,475	1,242
Income tax paid		(207,563)	(17,978)
Net cash flows from operating activities		<u>222,224</u>	<u>1,224,510</u>

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NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost - current		(\$ 74,445)	(\$ 142,547)
Repayment of principal at maturity from financial assets at amortised cost - current		163,275	83,981
Acquisition of investments accounted for using equity method - subsidiaries	6(5) and 7	(10,000)	-
Cash paid for acquisition of property, plant and equipment	6(25)	(16,884)	(167,092)
Interest paid for acquisition of property, plant and equipment	6(6)(20)(25)	-	(1,540)
Proceeds from disposal of property, plant and equipment		86	114
Acquisition of right-of-use assets		-	(10,851)
Increase in prepayments for equipment		(383,947)	(487,138)
Increase in guarantee deposits paid		(10,663)	(11,554)
Increase in other non-current assets		-	(14,952)
Net cash flows used in investing activities		(332,578)	(751,579)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid		(41,823)	(50,811)
Increase in short-term borrowings	6(26)	281,900	297,000
Increase (decrease) in short-term notes and bills payable	6(26)	89,984	(34,999)
Increase in other payables from related parties	6(26)	208,274	183,400
Payments of lease liabilities	6(26)	(10,944)	(8,145)
Increase in long-term borrowings	6(26)	1,625,685	2,548,111
Decrease in long-term borrowings	6(26)	(1,220,424)	(2,708,806)
Payment of cash dividends	6(15)	(871,200)	(326,700)
Net cash flows from (used in) financing activities		61,452	(100,950)
Net (decrease) increase in cash and cash equivalents		(48,902)	371,981
Cash and cash equivalents at beginning of year	6(1)	524,008	152,027
Cash and cash equivalents at end of year	6(1)	\$ 475,106	\$ 524,008

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

NAN LIU ENTERPRISE CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 is primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products.

(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 parent company only financial statements were authorised for issuance by the Board of Directors on March 15, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by 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 Company’s financial condition and financial performance based on the Company’s assessment.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by 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 Company’s financial condition and financial performance based on the Company’s assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the parent company only 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Foreign currency translation

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

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘Other gains and losses’.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than

twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Notes and accounts receivable

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

(8) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realisable value, the amount of any write-down of inventories is recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

(9) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration

all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss in a subsidiary equals or exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. According to Regulations Governing the Preparation of Financial Statements by Securities Issuers, "Profit for the year" and "Total other comprehensive income for the year" reported in the parent company only statement of comprehensive income, shall equal to "Profit for the year" and "Total other comprehensive income" attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in the parent company only financial statements shall equal to equity attributable to owners of parent reported in the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to

the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset</u>	<u>Useful lives</u>		
Buildings (including auxiliary equipment)	2	~	50 years
Machinery	2	~	15 years
Utility equipment	2	~	15 years
Transportation equipment	2	~	5 years
Office equipment	2	~	5 years
Other equipment	2	~	15 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise

the difference between the remeasured lease liability in profit or loss.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(15) Borrowings

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

(16) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet

in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(19) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(20) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(21) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(22) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells nonwoven, wet napkins and facial mask. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

(23) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that

the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

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

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

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

B. As of December 31, 2021, the carrying amount of inventories was \$343,851.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand and petty cash	\$ 2, 779	\$ 2, 444
Checking accounts and demand deposits	<u>195, 527</u>	<u>383, 469</u>
	<u>198, 306</u>	<u>385, 913</u>
Cash equivalents:		
Time deposits	<u>276, 800</u>	<u>138, 095</u>
	<u>\$ 475, 106</u>	<u>\$ 524, 008</u>

A. The Company 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 December 31, 2021 and 2020, the Company's time deposits maturing between three months and one year were reclassified as 'Financial assets at amortised cost – current' in the amount of \$ – and \$88,830, respectively.

C. As of December 31, 2021 and 2020, the Company has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost - current

Items	December 31, 2021	December 31, 2020
Time deposits maturing over three months	\$ <u> -</u>	\$ <u> 88,830</u>

A. The Company recognised interest income in profit or loss on financial assets at amortised cost amounting to \$558 and \$349 (listed as “Interest income”) for the years ended December 31, 2021 and 2020, respectively.

B. As of December 31, 2021 and 2020, 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 Company was approximately its book value.

C. As of December 31, 2021 and 2020, the Company has no financial assets at amortised cost pledged to others.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), ‘Financial instruments’.

(3) Notes and accounts receivable, net

	December 31, 2021	December 31, 2020
Notes receivable	\$ 46,685	\$ 64,830
Less: Allowance for uncollectible accounts	(1,777)	(2,777)
	<u>\$ 44,908</u>	<u>\$ 62,053</u>
Accounts receivable	\$ 446,792	\$ 722,021
Less: Allowance for uncollectible accounts	(11,050)	(25,591)
	<u>\$ 435,742</u>	<u>\$ 696,430</u>

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

	December 31, 2021		December 31, 2020	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 42,090	\$ 417,337	\$ 54,018	\$ 651,689
Up to 60 days	4,595	25,200	10,812	47,552
61 to 90 days	-	85	-	15,948
91 to 180 days	-	1,266	-	4,981
Over 180 days	-	7,399	-	5,838
	<u>\$ 46,685</u>	<u>\$ 451,287</u>	<u>\$ 64,830</u>	<u>\$ 726,008</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, notes and accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$522,894.

C. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company'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

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 11,627	(\$ 3,055)	\$ 8,572
Raw materials	123,749	(7,723)	116,026
Inventory in transit	25,315	-	25,315
Supplies	35,741	(1,064)	34,677
Work in progress	800	(426)	374
Finished goods	173,314	(14,427)	158,887
	<u>\$ 370,546</u>	<u>(\$ 26,695)</u>	<u>\$ 343,851</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 26,960	(\$ 1,215)	\$ 25,745
Raw materials	162,246	(9,578)	152,668
Inventory in transit	21,610	-	21,610
Supplies	57,121	(2,047)	55,074
Work in progress	1,925	(959)	966
Finished goods	243,539	(18,219)	225,320
	<u>\$ 513,401</u>	<u>(\$ 32,018)</u>	<u>\$ 481,383</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	\$ 2,897,773	\$ 3,551,705
Under-applied fixed manufacturing overhead	179,953	88,188
Reversal of allowance for inventory market price decline (Note)	(5,323)	-
Loss on scrapped inventories	6,453	6,665
Loss on physical inventory	25	837
Income from sale of scraps	(21,090)	(27,639)
	<u>\$ 3,057,791</u>	<u>\$ 3,619,756</u>

(Note) For the year ended December 31, 2021, the Company reversed a previous inventory write-down as a result of subsequent sales and scraps of inventories which were previously provided with allowance.

(5) Investments accounted for under equity method

A. Movements of investments accounted for under equity method are as follows:

	For the years ended December 31,	
	2021	2020
Balance, beginning of year	\$ 4,456,705	\$ 3,905,426
Addition on investments accounted for using the equity method	10,000	-
Share of profit or loss of investments accounted for using the equity method	204,080	515,471
Realised profit from sales	-	3,045
Changes in other equity items — Exchange differences on translation of foreign financial statements	(26,061)	32,763
Balance, end of year	<u>\$ 4,644,724</u>	<u>\$ 4,456,705</u>

B. Details of investments accounted for under the equity method are as follows:

Investee	December 31, 2021	December 31, 2020
Subsidiary:		
Nanliu Enterprise (Samoa) Co., Ltd.	\$ 4,605,718	\$ 4,426,965
Ching-Tsun Biomedical Technology Co., Ltd.	39,006	29,740
	<u>\$ 4,644,724</u>	<u>\$ 4,456,705</u>

C. For more information about subsidiary, please refer to Note 4(3) 'Basis of consolidation' on the consolidated financial statements report.

D. As of December 31, 2021 and 2020, the Company has no investments accounted for using equity method pledged to others.

(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, 2021</u>									
Cost	\$ 57,310	\$ 986,662	\$2,775,670	\$260,835	\$ 46,170	\$ 13,893	\$ 181,029	\$ 367,817	\$4,689,386
Accumulated depreciation	-	(198,192)	(981,632)	(69,488)	(19,731)	(12,912)	(60,083)	-	(1,342,038)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 57,310</u>	<u>\$ 778,657</u>	<u>\$1,794,038</u>	<u>\$191,347</u>	<u>\$ 26,439</u>	<u>\$ 981</u>	<u>\$ 120,946</u>	<u>\$ 367,817</u>	<u>\$3,337,535</u>
<u>For the year ended December 31, 2021</u>									
At January 1	\$ 57,310	\$ 778,657	\$1,794,038	\$191,347	\$ 26,439	\$ 981	\$ 120,946	\$ 367,817	\$3,337,535
Additions-cost	-	991	26,172	5,958	4,300	443	5,772	350	43,986
Transfer from prepayments for equipment	-	69	42,727	1,290	3,660	-	1,959	342,035	391,740
Depreciation	-	(29,693)	(215,024)	(24,512)	(7,561)	(297)	(17,267)	-	(294,354)
Disposals-cost	-	-	(427)	(551)	(4,149)	(38)	(320)	-	(5,485)
-accumulated depreciation	-	-	427	545	4,149	38	320	-	5,479
At December 31	<u>\$ 57,310</u>	<u>\$ 750,024</u>	<u>\$1,647,913</u>	<u>\$174,077</u>	<u>\$ 26,838</u>	<u>\$ 1,127</u>	<u>\$ 111,410</u>	<u>\$ 710,202</u>	<u>\$3,478,901</u>
<u>December 31, 2021</u>									
Cost	\$ 57,310	\$ 987,722	\$2,844,142	\$267,532	\$ 49,981	\$ 14,298	\$ 188,440	\$ 710,202	\$5,119,627
Accumulated depreciation	-	(227,885)	(1,196,229)	(93,455)	(23,143)	(13,171)	(77,030)	-	(1,630,913)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 57,310</u>	<u>\$ 750,024</u>	<u>\$1,647,913</u>	<u>\$174,077</u>	<u>\$ 26,838</u>	<u>\$ 1,127</u>	<u>\$ 111,410</u>	<u>\$ 710,202</u>	<u>\$3,478,901</u>

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>January 1, 2020</u>									
Cost	\$ 57,310	\$ 957,162	\$ 910,592	\$ 61,329	\$ 31,063	\$ 13,293	\$ 155,163	\$ 1,877,891	\$4,063,803
Accumulated depreciation	-	(170,138)	(827,511)	(51,274)	(19,061)	(12,970)	(47,130)	-	(1,128,084)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 57,310</u>	<u>\$ 777,211</u>	<u>\$ 83,081</u>	<u>\$ 10,055</u>	<u>\$ 12,002</u>	<u>\$ 323</u>	<u>\$ 108,033</u>	<u>\$ 1,877,891</u>	<u>\$2,925,906</u>
<u>For the year ended December 31, 2020</u>									
At January 1	\$ 57,310	\$ 777,211	\$ 83,081	\$ 10,055	\$ 12,002	\$ 323	\$ 108,033	\$ 1,877,891	\$2,925,906
Additions-cost	-	18,336	98,939	32,720	6,980	840	9,791	7,832	175,438
Transfer from prepayments for equipment	-	11,164	1,767,340	167,375	12,750	-	16,269	(1,517,906)	456,992
Depreciation	-	(28,054)	(155,322)	(18,803)	(5,293)	(182)	(13,147)	-	(220,801)
Disposals-cost	-	-	(1,201)	(589)	(4,623)	(240)	(194)	-	(6,847)
-accumulated depreciation	-	-	1,201	589	4,623	240	194	-	6,847
At December 31	<u>\$ 57,310</u>	<u>\$ 778,657</u>	<u>\$1,794,038</u>	<u>\$191,347</u>	<u>\$ 26,439</u>	<u>\$ 981</u>	<u>\$ 120,946</u>	<u>\$ 367,817</u>	<u>\$3,337,535</u>
<u>December 31, 2020</u>									
Cost	\$ 57,310	\$ 986,662	\$2,775,670	\$260,835	\$ 46,170	\$ 13,893	\$ 181,029	\$ 367,817	\$4,689,386
Accumulated depreciation	-	(198,192)	(981,632)	(69,488)	(19,731)	(12,912)	(60,083)	-	(1,342,038)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 57,310</u>	<u>\$ 778,657</u>	<u>\$1,794,038</u>	<u>\$191,347</u>	<u>\$ 26,439</u>	<u>\$ 981</u>	<u>\$ 120,946</u>	<u>\$ 367,817</u>	<u>\$3,337,535</u>

- A. As of December 31, 2021 and 2020, the Company's property, plant and equipment are all for own use.
- B. Amount of borrowing costs capitalised and the range of the interest rates for such capitalisation are as follows:

	For the year ended December 31, 2020
Amount capitalised	\$ 1,540
Interest rate range	0.86%~0.91%

There was no such situation for the year ended December 31, 2021.

- C. For more information regarding the Company's property, plant and equipment pledged to others as of December 31, 2021 and 2020, please refer to Note 8, 'Pledged assets'.
- D. Impairment information about the property, plant and equipment is provided in Note 6(8), 'Impairment of non-financial assets.'

(7) Leasing arrangements — lessee

- A. The Company leases various assets including land and transportation equipment. Rental contracts are typically made for periods of 1 to 50 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 Company may not sublease or transfer leased assets in whole or in part without permissions from a lessor.
- B. Short-term leases with a lease term of 12 months or less comprise trucks and warehouse. 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	
	December 31, 2021	December 31, 2020
Land	\$ 401,414	\$ 418,081
Transportation equipment	—	59
	<u>\$ 401,414</u>	<u>\$ 418,140</u>

	Depreciation charge	
	For the years ended December 31,	
	2021	2020
Land	\$ 16,667	\$ 16,114
Transportation equipment	59	341
	<u>\$ 16,726</u>	<u>\$ 16,455</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$— and \$32,740, respectively.
- E. The Company leases 12 parcels of land including No. 9, Sec. Daitianfu, Yanchao Dist., Kaohsiung City from Taiwan Sugar Corporation ('Taiwan Sugar Corp.'). The Company uses the land to set up plants, which met the requirements of Taiwan Sugar Corp.'s rental adjustment plan, and therefore the Company's annual rental of land leased from Taiwan Sugar Corp. would be reduced.

The Company decreased both right-of-use assets and lease liabilities amounting to \$119,762 for the year ended December 31, 2020 after reassessing the reduced rental.

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

	For the years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,477	\$ 1,805
Expense on short-term lease contracts	4,516	3,265
Expense on leases of low-value assets	315	801
	<u>\$ 6,308</u>	<u>\$ 5,871</u>

G. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$17,252 and \$14,016, respectively.

(8) Impairment of non-financial assets

A. Certain buildings and structures of the Company 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 Company's property, plant and equipment. The Company wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly. The Company did not recognise both impairment loss and gain on reversal of impairment loss on certain property, plant and equipment for the years ended December 31, 2021 and 2020.

B. As of December 31, 2021 and 2020, the accumulated impairment of property, plant and equipment was \$9,813.

(9) Short-term borrowings

<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%~0.80%	None

<u>Type of borrowings</u>	<u>December 31, 2020</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 Company for the years ended December 31, 2021 and 2020, please refer to Note 6(20), 'Finance costs'.

(10) Short-term notes and bills payable

	<u>December 31, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial papers payable	\$ 90,000	0.84%	None
Less: Unamortised discount	(16)		
	<u>\$ 89,984</u>		

There was no such situation as of December 31, 2020.

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 Company for the years ended December 31, 2021 and 2020, please refer to Note 6(20), 'Finance costs'.

(11) Long-term borrowings

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2021
Unsecured 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	December 31, 2020
Unsecured borrowings	1. 2021~5. 2030	0. 095%~0. 91%	None	\$ 2, 405, 214
Secured borrowings	3. 2021~9. 2022	1. 00%	Machinery (Note 2)	324, 675
				2, 729, 889
Less: Current portion				(426, 840)
				<u>\$ 2, 303, 049</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 Company for the years ended December 31, 2021 and 2020, please refer to Note 6(20), 'Finance costs'.

(12) 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 Pension 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 amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 86,561)	(\$ 98,852)
Fair value of plan assets	<u>41,046</u>	<u>31,593</u>
Net defined benefit liability	<u>(\$ 45,515)</u>	<u>(\$ 67,259)</u>

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

	<u>For the year ended December 31, 2021</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 98,852)	\$ 31,593	(\$ 67,259)
Current service cost	(806)	-	(806)
Interest (expense) income	(292)	92	(200)
Effect of plan curtailment	<u>-</u>	<u>(969)</u>	<u>(969)</u>
	<u>(99,950)</u>	<u>30,716</u>	<u>(69,234)</u>
Remeasurements:			
Return on plan assets	-	496	496
Change in demographic assumptions	(249)	-	(249)
Change in financial assumptions	2,844	-	2,844
Experience adjustments	<u>(2,184)</u>	<u>-</u>	<u>(2,184)</u>
	<u>411</u>	<u>496</u>	<u>907</u>
Pension fund contribution	<u>-</u>	<u>14,179</u>	<u>14,179</u>
Paid pensions	<u>12,978</u>	<u>(4,345)</u>	<u>8,633</u>
At December 31	<u>(\$ 86,561)</u>	<u>\$ 41,046</u>	<u>(\$ 45,515)</u>

For the year ended December 31, 2020

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 105,165)	\$ 27,241	(\$ 77,924)
Current service cost	(1,036)	-	(1,036)
Interest (expense) income	(726)	184	(542)
	<u>(106,927)</u>	<u>27,425</u>	<u>(79,502)</u>
Remeasurements:			
Return on plan assets	-	798	798
Change in demographic assumptions	(82)	-	(82)
Change in financial assumptions	(3,214)	-	(3,214)
Experience adjustments	<u>6,123</u>	<u>-</u>	<u>6,123</u>
	<u>2,827</u>	<u>798</u>	<u>3,625</u>
Pension fund contribution	<u>-</u>	<u>5,287</u>	<u>5,287</u>
Paid pensions	<u>5,248</u>	<u>(1,917)</u>	<u>3,331</u>
At December 31	<u>(\$ 98,852)</u>	<u>\$ 31,593</u>	<u>(\$ 67,259)</u>

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

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

	For the years ended December 31,	
	2021	2020
Discount rate	<u>0.70%</u>	<u>0.30%</u>
Future salary increase rate	<u>3.00%</u>	<u>3.00%</u>

Future mortality rate was estimated based on the 6th and the 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020, respectively.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 1,725)	\$ 1,786	\$ 1,741	(\$ 1,691)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 2,033)	\$ 2,108	\$ 2,046	(\$ 1,986)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to \$850.

(f) As of December 31, 2021, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,923
2~5 years		34,138
Over 6 years		51,291
	\$	<u>91,352</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2021 and 2020 were \$13,323 and \$13,159, respectively.

(13) Share capital

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

	For the years ended December 31,	
	2021	2020
Beginning and ending number of shares	72,600	72,600

B. As of December 31, 2021, 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.

(14) 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.

(15) 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) and \$326,700 (\$4.5 (in dollars) per share) for the years ended December 31, 2021 and 2020, respectively. On March 15, 2022, the Board of Directors proposed for the distribution of dividends from 2021 earnings in the amount of \$87,120 (\$1.2 (in dollars) per share).

(16) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 3, 215, 624	\$ 5, 176, 171

A. Disaggregation of revenue from contracts with customers

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

	For the years ended December 31,	
	2021	2020
Spunlace nonwovens	\$ 1, 223, 423	\$ 2, 019, 822
Biotechnology	1, 086, 369	2, 061, 376
Air-through nonwovens	584, 780	735, 635
Disposable surgical gowns	321, 052	359, 338
	<u>\$ 3, 215, 624</u>	<u>\$ 5, 176, 171</u>

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - current	\$ 3, 506	\$ 19, 039	\$ 303

Revenue recognised that was included in the contract liability balance at the beginning of the year were \$18,219 and \$283 for the years ended December 31, 2021 and 2020, respectively.

(17) Interest income

	For the years ended December 31,	
	2021	2020
Bank deposits	\$ 823	\$ 819
Financial assets at amortised cost	558	349
	<u>\$ 1, 381</u>	<u>\$ 1, 168</u>

(18) Other income

	For the years ended December 31,	
	2021	2020
Income from renewable energy sold	\$ 13,257	\$ 13,298
Grant income	14,141	4,000
Miscellaneous income	7,522	11,686
	<u>\$ 34,920</u>	<u>\$ 28,984</u>

(19) Other gains and losses

	For the years ended December 31,	
	2021	2020
Net gain on disposal of property, plant and equipment	\$ 80	\$ 114
Net currency exchange gain (loss)	25,706	(12,491)
Other losses	(361)	(393)
	<u>\$ 25,425</u>	<u>(\$ 12,770)</u>

(20) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 31,786	\$ 35,867
Loans to related parties	9,331	13,263
Interest expense on lease liabilities	1,477	1,805
	<u>42,594</u>	<u>50,935</u>
Less: Capitalisation of qualifying assets	-	(1,540)
	<u>\$ 42,594</u>	<u>\$ 49,395</u>

(21) Expenses by nature

	For the year ended December 31, 2021		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 286,661	\$ 85,874	\$ 372,535
Depreciation charges	288,679	22,401	311,080

	For the year ended December 31, 2020		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 340,658	\$ 114,124	\$ 454,782
Depreciation charges	217,981	19,275	237,256

(22) Employee benefit expense

	For the year ended December 31, 2021		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 232,080	\$ 70,063	\$ 302,143
Directors' remuneration	-	1,320	1,320
Labor and health insurance expense	24,074	6,830	30,904
Pension costs	10,954	4,344	15,298
Other personnel expenses	19,553	3,317	22,870
	<u>\$ 286,661</u>	<u>\$ 85,874</u>	<u>\$ 372,535</u>

	For the year ended December 31, 2020		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 281,934	\$ 84,296	\$ 366,230
Directors' remuneration	-	16,100	16,100
Labor and health insurance expense	23,367	5,979	29,346
Pension costs	11,365	3,372	14,737
Other personnel expenses	23,992	4,377	28,369
	<u>\$ 340,658</u>	<u>\$ 114,124</u>	<u>\$ 454,782</u>

A. For the years ended December 31, 2021 and 2020, the average number of employees were 478 and 536 employees, respectively, which included 6 non-employee directors for both years. For the years ended December 31, 2021 and 2020, the average employee benefit expense were \$786 and \$828, respectively, while average wages and salaries were \$640 and \$691, respectively. The average wages and salaries decreased by 7.38% compared to prior year.

B. Salary policy is described below:

(1) Directors' remuneration:

The Company's salary policy is based on the result of performance assessment by the directors of the board, and its standards are mainly verified with reference in addition to the Company's operational performance, industrial business risk, the development of the future and the achievement of performance.

(2) Manager salary:

Managers are paid based on their participation and contribution to the Company (refer to the same trade concerned). Otherwise, bonus is paid based on the Company's net income, personal performance evaluation (refer to the same trade concerned).

(3) Employee salary:

Employee salary policy is based on personal ability, contribution to the Company, personal performance, and its position market value. The overall employee salary consists of basic salary, food allowance, and bonus, etc.

In addition, the Company has set up the Audit Committee, so there is no supervisors' remuneration.

C. 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 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.

D. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$1,127 and \$22,216, respectively; while directors' remuneration was accrued at \$780 and \$15,380, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised were accrued based on the profit of current year distributable and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' remuneration as resolved by the Board of Directors for 2021 on March 15, 2022 were \$1,127 and \$780, respectively and the employees' compensation will be distributed in the form of cash. The amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were the same as the estimated amount of \$22,216 and \$15,380 recognised in the 2020 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.

(23) Income tax

A. Components of income tax (benefit) expense

(a) Components of income tax (benefit) expense:

	For the years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ -	\$ 244,639
Tax on undistributed surplus earnings	10,768	-
Prior year income tax overestimation	(20,257)	(13,775)
	<u>(9,489)</u>	<u>230,864</u>
Deferred tax:		
Origination and reversal of temporary differences	(22,976)	(13,260)
Income tax (benefit) expense	<u>(\$ 32,465)</u>	<u>\$ 217,604</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2021	2020
Remeasurement of defined benefit obligations	<u>\$ 181</u>	<u>\$ 725</u>

B. Reconciliation between income tax (benefit) expense and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 16,961	\$ 334,265
Effect from items disallowed by tax regulation	(40,603)	(102,886)
Temporary differences between finance report and income tax report	666	-
Prior year income tax overestimation	(20,257)	(13,775)
Tax on undistributed surplus earnings	<u>10,768</u>	<u>-</u>
Income tax (benefit) expense	<u>(\$ 32,465)</u>	<u>\$ 217,604</u>

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

For the year ended December 31, 2021				
	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Loss on doubtful debts	\$ 4,889	(\$ 2,421)	\$ -	\$ 2,468
Loss on inventories from market decline	6,404	(1,065)	-	5,339
Pensions	14,118	(4,834)	(181)	9,103
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	740	(74)	-	666
Unrealised losses	817	-	-	817
Tax losses	-	34,684	-	34,684
	<u>\$ 28,931</u>	<u>\$ 26,290</u>	<u>(\$ 181)</u>	<u>\$ 55,040</u>
Deferred income tax liabilities				
Temporary differences:				
Unrealised exchange gain	(\$ 264)	(\$ 3,314)	\$ -	(\$ 3,578)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	<u>(\$ 7,650)</u>	<u>(\$ 3,314)</u>	<u>\$ -</u>	<u>(\$ 10,964)</u>
	<u>\$ 21,281</u>	<u>\$ 22,976</u>	<u>(\$ 181)</u>	<u>\$ 44,076</u>

For the year ended December 31, 2020				
	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Unrealised exchange loss	\$ 1,968	(\$ 1,968)	\$ -	\$ -
Loss on doubtful debts	1,367	3,522	-	4,889
Loss on inventories from market decline	6,404	-	-	6,404
Pensions	15,585	(742)	(725)	14,118
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	-	740	-	740
Unrealised losses	817	-	-	817
	<u>\$ 28,104</u>	<u>\$ 1,552</u>	<u>(\$ 725)</u>	<u>\$ 28,931</u>
Deferred income tax liabilities				
Temporary differences:				
Unrealised exchange gain	(\$ 11,972)	\$ 11,708	\$ -	(\$ 264)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	<u>(\$ 19,358)</u>	<u>\$ 11,708</u>	<u>\$ -</u>	<u>(\$ 7,650)</u>
	<u>\$ 8,746</u>	<u>\$ 13,260</u>	<u>(\$ 725)</u>	<u>\$ 21,281</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	\$ 173,418	<u>\$ 173,418</u>	<u>\$ -</u>	2031

There was no such situation as of December 31, 2020.

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred tax liabilities were \$661,404 and \$620,441, respectively.

F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. As of March 15, 2022, there was no administrative lawsuit.

(24) Earnings per share

For the year ended December 31, 2021			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 117,268	72,600	\$ 1.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 117,268	72,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	34	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 117,268	72,634	\$ 1.61
For the year ended December 31, 2020			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,453,723	72,600	\$ 20.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,453,723	72,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	128	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,453,723	72,728	\$ 19.99

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 43,986	\$ 175,438
Add: Opening balance of notes payable	3,284	18,723
Opening balance of other payables	44,779	22,534
Less: Ending balance of notes payable	(2,627)	(3,284)
Ending balance of other payables	(72,538)	(44,779)
Capitalisation of interest	—	(1,540)
Cash paid for purchase of property, plant and equipment	<u>\$ 16,884</u>	<u>\$ 167,092</u>

B. Operating and Investing activities with no cash flow effect:

	For the years ended December 31,	
	2021	2020
(a) Accounts receivable transferred to long-term receivables	<u>\$ 508</u>	<u>\$ 3,508</u>
(b) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 391,740</u>	<u>\$ 456,992</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Other payables from related parties	Lease liabilities	Long-term borrowings	Liabilities from financing activities-gross
Balance at January 1, 2021	\$ 1,667,000	\$ -	\$ 484,456	\$ 398,669	\$ 2,729,889	\$ 5,280,014
Changes in cash flow from financing activities	281,900	89,984	208,274	(10,944)	405,261	974,475
Changes in other non-cash items	-	-	-	-	(16,929)	(16,929)
Balance at December 31, 2021	<u>\$ 1,948,900</u>	<u>\$ 89,984</u>	<u>\$ 692,730</u>	<u>\$ 387,725</u>	<u>\$ 3,118,221</u>	<u>\$ 6,237,560</u>
	Short-term borrowings	Short-term notes and bills payable	Other payables from related parties	Lease liabilities	Long-term borrowings	Liabilities from financing activities-gross
Balance at January 1, 2020	\$ 1,370,000	\$ 34,999	\$ 301,056	\$ 504,687	\$ 2,899,670	\$ 5,110,412
Changes in cash flow from financing activities	297,000	(34,999)	183,400	(8,145)	(160,695)	276,561
Changes in other non-cash items	-	-	-	(97,873)	(9,086)	(106,959)
Balance at December 31, 2020	<u>\$ 1,667,000</u>	<u>\$ -</u>	<u>\$ 484,456</u>	<u>\$ 398,669</u>	<u>\$ 2,729,889</u>	<u>\$ 5,280,014</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Nanliu Enterprise (Samoa) Co., Ltd. (Nanliu (Samoa))	Subsidiary
Ching-Tsun Biomedical Technology Co., Ltd. (Ching-Tsun)	Subsidiary
Nanliu Enterprise (Pinghu) Ltd. (Nanliu (Pinghu))	Subsidiary
Nanliu Manufacturing (India) Private Limited (Nanliu (India))	Subsidiary
Huang Chin-San	Key management personnel of the Company
Huang Ho-Chun	Key management personnel of the Company

(2) Significant related party transactions

A. Sales

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
Subsidiary	<u>\$ 796</u>	<u>\$ 49</u>

The payment term of the related party which is similar with other parties is to close its accounts 60 days after the end of each month by T/T. The selling price is not comparable to others, because the Company mainly sales to related party.

B. Purchases

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
Nanliu (Pinghu)	<u>\$ 721, 591</u>	<u>\$ 1, 005, 165</u>

Purchase price from related party is similar to regular suppliers. The payment term is similar with other suppliers which is to close its accounts 60 days after invoice date.

C. Property transactions

Acquisition of property, plant and equipment:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary	<u>\$ 2, 986</u>	<u>\$ -</u>

D. Equity transactions

The subsidiary of the Company, Ching-Tsun increased its capital in September, 2021. The proceeds of \$10,000 from the Company had already been paid.

E. Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
Subsidiary	\$ <u>414</u>	\$ <u>–</u>

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

F. Accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Nanliu (Pinghu)	\$ <u>112,739</u>	\$ <u>153,742</u>

The above arose mainly from purchases from related party, which are unsecured in nature and bear no interest.

G. Loans from related party (shown as “Other payables – related parties”)

	<u>For the year ended December 31, 2021</u>				
	<u>Maximum outstanding balance date</u>	<u>Maximum outstanding balance</u>	<u>Balance at December 31</u>	<u>Annual rate</u>	<u>Interest expense</u>
Nanliu (Samoa)	2021. 12	\$ <u>747,360</u>	\$ <u>692,000</u>	2.0%	\$ <u>9,331</u>
	<u>For the year ended December 31, 2020</u>				
	<u>Maximum outstanding balance date</u>	<u>Maximum outstanding balance</u>	<u>Balance at December 31</u>	<u>Annual rate</u>	<u>Interest expense</u>
Nanliu (Samoa)	2020. 12	\$ <u>512,640</u>	\$ <u>484,160</u>	2.0%	\$ <u>13,263</u>

As of December 31, 2021 and 2020, the interest expense from loans of \$730 and \$296 has not yet been paid, respectively.

H. Provision of endorsements and guarantees to related party

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Nanliu (India)	\$ <u>659,630</u>	\$ <u>298,790</u>

I. Secured bank borrowings that the Company borrowed from the banks as of December 31, 2021 was guaranteed by Huang Chin-San; in addition, as of December 31, 2020, secured bank borrowings that the Company borrowed from the bank were jointly guaranteed by Huang Chin-San and Huang Ho-Chun. For more information, please refer to Note 6(11), ‘Long-term borrowings’.

(3) Key management compensation

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 14,573	\$ 29,385
Service allowance	720	900
	<u>\$ 15,293</u>	<u>\$ 30,285</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Machinery-net (Note)	<u>\$ 922,232</u>	<u>\$ 1,003,482</u>	Long-term borrowings

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

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) As of December 31, 2021 and 2020, the balances for contracts that the Company entered into but not yet incurred are \$484,391 and \$361,177, respectively.

(2) As of December 31, 2021 and 2020, the unused letters of credit amounted to \$— and \$14,842, 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 Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, 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 Company 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 Company are described in Note 6.

B. Financial risk management policies

(a) The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

- (i) The Company 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 Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Company's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.
- (iii) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	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	\$ 22,633	27.68	\$ 626,481
RMB : NTD	1,905	4.34	8,268
EUR : NTD	23	31.32	720
<u>Investments accounted for under equity method</u>			
INR : NTD	1,490,339	0.37	554,406
RMB : NTD	578,976	4.34	2,514,492
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	31,399	27.68	869,124
EUR : NTD	3,618	31.32	113,316

(foreign currency: functional currency)	December 31, 2020		
	Foreign currency amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 21,759	28.48	\$ 619,696
RMB : NTD	7,416	4.38	32,482
EUR : NTD	50	35.02	1,751
<u>Investments accounted for under equity method</u>			
INR : NTD	637,825	4.37	2,785,380
RMB : NTD	252,851	0.39	98,612
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	23,978	28.48	682,893
EUR : NTD	9,274	35.02	324,775

(iv) As of December 31, 2021 and 2020, if the Company'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 years ended December 31, 2021 and 2020 would have increased/decreased by \$3,470 and \$3,537, respectively.

(v) The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to \$25,706 and (\$12,491), respectively.

ii. Price risk

The Company is not engaged in any financial instruments with price variations, hence does not expect price risk arising from significant variations in the market prices.

iii. Cash flow and fair value interest rate risk

(i) The Company's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate. During the years ended December 31, 2021 and 2020, the Company's borrowings at variable rate were denominated in New Taiwan dollars, US 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 years ended December 31, 2021 and 2020 would have decreased/increased by \$411 and \$491, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor

is that counterparties could not repay in full the accounts receivable based on the agreed terms.

- ii. For banks and financial institutions, only those with high credit rating are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the 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 Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vi. The Company classifies customer's receivables in accordance with the credit rating of the customer. The Company applies the modified approach using the provision matrix to estimate expected credit loss. The Company used the forecastability of conditions to adjust historical and timely information to assess the default possibility of receivables, whereby rate ranges from 2% to 100% are applied to the provision matrix. Movements in relation to the Company applying the modified approach to provide loss allowance for receivables are as follows:

	For the year ended December 31, 2021		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	\$ 2,777	\$ 25,591	\$ 3,987
Expected credit (gains) losses	(1,000)	(14,541)	508
At December 31	<u>\$ 1,777</u>	<u>\$ 11,050</u>	<u>\$ 4,495</u>

	For the year ended December 31, 2020		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	\$ 3,507	\$ 8,079	\$ 479
Expected credit (gains) losses	(730)	17,512	3,508
At December 31	<u>\$ 2,777</u>	<u>\$ 25,591</u>	<u>\$ 3,987</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company'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 Company 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 Company treasury. The Company 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 Company has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate:		
Expiring within one year	\$ 1,649,077	\$ 1,625,862
Expiring beyond one year	<u>3,402,569</u>	<u>3,350,190</u>
	<u>\$ 5,051,646</u>	<u>\$ 4,976,052</u>

iv. The table below analyses the Company'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>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	60,422	-	-	-
Accounts payable (Including related party)	232,236	-	-	-
Other payables (Including related party)	871,985	-	-	-
Lease liabilities (Including current portion)	12,701	28,678	31,700	403,398
Long-term borrowings (Including current portion)	349,092	2,251,217	307,571	242,475

December 31, 2020	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,669,272	\$ -	\$ -	\$ -
Notes payable	113,728	-	-	-
Accounts payable (Including related party)	296,057	-	-	-
Other payables (Including related party)	703,769	-	-	-
Lease liabilities (Including current portion)	13,056	25,512	31,936	420,044
Long-term borrowings (Including current portion)	444,495	1,753,571	458,295	110,818

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

(3) Fair value information

- A. The Company had no fair value financial instruments as of December 31, 2021 and 2020.
- B. The fair value of the Company's financial assets and liabilities not measured at fair value including 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 (including related party), other payables (including related party) and long-term borrowings (including current portion) are approximate to their fair values.

13. Supplementary Disclosures

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2021.

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please 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: Please refer to table 4.

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

I. Trading in derivative instruments undertaken during the reporting periods: None.

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

(4) Major shareholders information

Please refer to table 10.

14. Segment Information

Not applicable.

Nan Liu Enterprise Co., Ltd.

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	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	Ceiling on total	Footnote
					balance during the year ended December 31, 2021	December 31, 2021							Item	Value	granted to a single party (Note 1)	loans granted (Note 1)	
1	Nanliu Enterprise (Samoa) Co., Ltd.	Nan Liu Enterprise Co., Ltd.	Other receivables	Y	\$ 747,360	\$ 692,000	\$ 692,000	2.0%	Short-term financing	\$ -	Repayments of borrowings	\$ -	-	\$ -	\$ 1,843,785	\$ 1,843,785	-
		Nanliu Manufacturing (India) Private Limited	Long-term receivables	Y	692,000	692,000	692,000	3.5%	Short-term financing	-	Construction of plants and acquisition of machinery	-	-	-	1,843,785	1,843,785	-

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 December 31, 2021 as follows: USD:NTD 1:27.68.

Nan Liu Enterprise Co., Ltd.
Provision of endorsements and guarantees to others
For the year ended December 31, 2021

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 subsidiary to 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)	\$ 6,977,968	\$ 659,630	\$ 659,630	\$ 70,109	\$ -	18.91%	\$ 6,977,968	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 December 31, 2021 as follows: USD:NTD 1:27.68 ; INR:NTD 1:0.37.

Nan Liu Enterprise Co., Ltd.

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

December 31, 2021

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>December 31, 2021</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%	\$ 85,026	—

Nan Liu Enterprise Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2021

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	\$ 721,591	36%	Closes its accounts 60 days after the end of each month by T/T	\$ -	Same with the third parties	(\$ 112,739)	(39%)	—
Nanliu Enterprises (Pinghu) Ltd.	Nan Liu Enterprise Co., Ltd.	The company	(Sales)	(721,591)	(17%)	Closes its accounts 60 days after the end of each month by T/T	-	"	112,739	11%	—

(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 December 31, 2021 (USD:NTD 1:27.68); Amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2021 (USD:NTD 1:28.009).

Nan Liu Enterprise Co., Ltd.
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2021

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship	Balance as of December 31, 2021		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	\$ 692,730	—	\$ -	—	\$ -	\$ -
	Nanliu Manufacturing (India) Private Limited	Subsidiary	Long-term receivables	662,343	—	-	—	-	-
Nanliu Enterprises (Pinghu) Ltd.	Nan Liu Enterprise Co., Ltd.	The Company	Accounts receivable	112,739	5.43	-	—	94,482	-

(Note) Foreign currencies were translated into New Taiwan Dollars at the exchange rate as of December 31, 2021 as follows: USD:NTD 1:27.68.

Nan Liu Enterprise Co., Ltd.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

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	\$ 721,591	Closes its accounts 60 days after the end of each month by T/T	11%
				Accounts payable	112,739		—
1	Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Manufacturing (India) Private Limited	1	Endorsements and guarantees	659,630	—	6%
		Nan Liu Enterprise Co., Ltd.	2	Other receivables	692,730	—	7%
		Nanliu Manufacturing (India) Private Limited	3	Long-term notes receivables	662,343	—	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 1:27.68; RMB:USD 1:0.1569); amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2021 (USD:NTD 1:28.009; RMB:USD 1:0.1551).

Nan Liu Enterprise Co., Ltd.

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020 (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	\$ 4,605,718	\$ 207,569	\$ 204,814	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	30,000	4,000,000	100.00	39,006 (734) (734)	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	153,774	93,800,000	100.00	278,016 (36,772) (36,772)	Subsidiary
	Nan Fang Enterprise (India) Private Limited	India	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	284,350	-	75,000,000	100.00	276,392 (2,637) (2,637)	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 December 31, 2021 (INR:NTD 1:0.372); amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2021 (INR:NTD 1:0.376).

Nan Liu Enterprise Co., Ltd.
Information on investments in Mainland China
For the year ended December 31, 2021

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 year ended			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				December 31, 2021	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	\$ 326,898	100.00	\$ 324,143	\$ 2,516,417	\$ -	-	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021</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	\$ 2,093,390											

(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 audited 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 1:4.340); amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2021 (RMB:NTD 1:4.340).

Nan Liu Enterprise Co., Ltd.

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

For the year ended December 31, 2021

Table 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 year ended December 31, 2021	Others	
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate			
Nanliu Enterprises (Pinghu) Ltd.	(\$ 721,591)	(36%)	\$ -	-	(\$ 112,739)	(39%)	\$ -	-	\$ -	-	\$ -	-	\$ -	-

Nan Liu Enterprise Co., Ltd.

Major shareholders information

December 31, 2021

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.	5,962,924	-	8.21%	—
Huang Chin-San	5,288,978	-	7.29%	—
Bisiou Investment Co., Ltd.	5,090,929	-	7.01%	—

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.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Items	Description	Amount
Cash:		
Cash on hand		\$ 2,779
Checking accounts		78
Demand Deposits – New Taiwan Dollar		61,216
– Foreign Currency	USD 4,818 (in thousands), exchange rate: 27.68; EUR 22 (in thousands), exchange rate: 31.32; RMB 44 (in thousands), exchange rate: 4.344;	134,233
Cash equivalents		
Time Deposits – Foreign Currency	USD 10,000 (in thousands), exchange rate: 27.68; due on 2022/3/15, interest rate at 0.33%	<u>276,800</u>
		<u>\$ 475,106</u>

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
CORPORATION A	Receivables from the client	\$ 42,969	—
CORPORATION B	Receivables from the client	40,918	—
CORPORATION C	Receivables from the client	31,154	—
Marubeni Corporation	Receivables from the client	25,365	—
ZENNO & Co.,Ltd.	Receivables from the client	23,288	—
CORPORATION D	Receivables from the client	22,447	—
Others (less than 5%)	Receivables from the client	<u>260,651</u>	—
		446,792	
Less: Allowance for uncollectible accounts		(<u>11,050</u>)	
		<u>\$ 435,742</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Net Realisable Value</u>	
Merchandise	—	\$ 11,627	\$ 10,260	(Note)
Raw materials	—	123,749	115,964	(Note)
Raw materials in transit	—	25,315	25,315	(Note)
Supplies	—	35,741	34,847	(Note)
Work in progress	—	800	350	(Note)
Finished goods	—	<u>173,314</u>	<u>187,447</u>	(Note)
		370,546	<u>\$ 374,183</u>	
Less: Allowance for valuation loss		<u>(26,695)</u>		
		<u>\$ 343,851</u>		

Note: Please refer to Note 4(8) for the method to determine the net realisable value.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Prepaid expenses	—	\$ 153,689	—
Office supplies	—	15,902	—
Prepayment for purchases	—	15,113	—
Input tax	—	10,305	—
Others (less than 5%)	—	<u>673</u>	—
		<u>\$ 195,682</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

The Name of the Company	Beginning Balance		Additions		Decrease		Ending Balance			Market Value or Net Assets Value		Collateral	Note
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage of	Amount	Unit Price	Total Amount		
	(in thousands)		(in thousands)		(in thousands)		(in thousands)	Ownership		(in dollars)			
Nanliu Enterprise (Samoa) Co., Ltd.	52,948	\$ 4,426,965	-	\$ 204,814	-	(\$ 26,061)	52,948	100.00%	\$ 4,605,718	\$ 87.80	\$ 4,609,463	None	-
Ching-Tsun Biomedical Technology Co., Ltd.	3,000	29,740	1,000	10,000	-	(734)	4,000	100.00%	39,006	9.75	39,006	None	-
	<u>55,948</u>	<u>\$ 4,456,705</u>	<u>1,000</u>	<u>\$ 214,814</u>	<u>-</u>	<u>(\$ 26,795)</u>	<u>56,948</u>		<u>\$ 4,644,724</u>		<u>\$ 4,648,469</u>		

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(6) for the information related to property, plant and equipment.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-ACCUMULATED
DEPRECIATION AND ACCUMULATED IMPAIRMENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(6) for the information related to property, plant and equipment and Note 4(12) for the method to determine depreciation and useful lives for assets.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS-COST
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

	Land	Transportation equipment	Total
At January 1 and December 31	\$ 447,041	\$ 886	\$ 447,927

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS-ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

	Land	Transportation equipment	Total
At January 1	\$ 28,960	\$ 827	\$ 29,787
Additions	16,667	59	16,726
At December 31	\$ 45,627	\$ 886	\$ 46,513

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Type of Loan	Descriptions	Ending Balance	Contract period	Range of Interest Rate	Credit Facility	Collateral	Note
Unsecured bank borrowings	HSBC Bank (Taiwan) Company Limited	\$ 580,000	2021.07.15~2022.06.01	0.75%	\$ 610,000	None	—
"	First Commercial Bank	350,000	2021.10.15~2022.10.15	0.75~0.76%	350,000	None	—
"	Land Bank of Taiwan	300,000	2021.02.01~2022.01.31	0.80%	300,000	None	—
"	Cathay United Bank	280,000	2021.05.31~2022.05.31	0.75%	300,000	None	—
"	Taipei Fubon Bank	200,000	2021.04.07~2022.04.07	0.73%	200,000	None	—
"	CITIBANK Taiwan	138,900	2021.11.19~2022.01.18	0.69%	150,000	None	—
"	Bank of Taiwan	100,000	2021.03.24~2022.03.24	0.76%	100,000	None	—
		<u>\$ 1,948,900</u>					

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Suppliers Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Sateri (Fujian) Co., Ltd.	Accounts payable	\$ 28,631	—
SUN A Enterprise Co., Ltd.	Accounts payable	21,226	—
Tainan Spinning Co., Ltd.	Accounts payable	20,417	—
In Chang Technic Print Co., Ltd.	Accounts payable	7,603	—
Others (less than 5%)	Accounts payable	<u>41,620</u>	—
		<u>\$ 119,497</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE - RELATED PARTY
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Suppliers Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Nanliu Enterprises (Pinghu) Ltd.	Accounts payable	<u>\$ 112,739</u>	—

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Payables on equipment	—	\$ 72,538	—
Payroll and bonus payable	—	41,486	—
Utility payables	—	9,649	—
Others (less than 5%)	—	<u>55,582</u>	—
		<u>\$ 179,255</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OTHER PAYABLES - RELATED PARTY
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Accommodation of funds payable	Loans	\$ 692,000	—
Interest payable	—	<u>730</u>	—
		<u>\$ 692,730</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF LONG-TERM LIABILITIES, CURRENT PORTION
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Rate</u>	<u>Collateral</u>	<u>Note</u>
Mega International Commercial Bank	Unsecured bank borrowings	\$ 145,136	0.095%~1.00%	None	—
Chinatrust Commercial Bank	"	94,500	0.91%	None	—
Mega International Commercial Bank	Secured borrowings	<u>90,984</u>	1.00%	Machinery (Note)	—
		<u>\$ 330,620</u>			

(Note) Jointly guaranteed by Hung Chin-San.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Creditor	Description	Amount	Expiry date	Rate	Collateral	Note
Mega International Commercial Bank	Unsecured bank borrowings	\$ 794,430	2019.07.12~2030.05.15	0.095%	None	Note 2
Mizuho Bank	"	450,000	2021.02.28~2023.02.28	0.85%	"	Note 3
Chinatrust Commercial Bank	"	323,500	2018.01.25~2025.01.24	0.91%	"	Note 4
Chang Hwa Commercial Bank	"	300,000	2020.07.17~2023.07.17	0.85%	"	Note 3
Taipei Fubon Bank	"	300,000	2021.06.15~2023.06.15	0.82%	"	"
Yuanta Bank	"	300,000	2021.01.05~2023.01.05	0.81%	"	"
E.SUN Commercial Bank	"	295,000	2020.04.29~2024.11.23	0.85%	"	"
The Export-Import Bank of the Republic of China	"	122,000	2018.09.26~2025.09.26	0.81%	"	"
Hua Nan Commercial Bank	"	120,000	2021.05.14~2023.05.14	0.85%	"	"
Mega International Commercial Bank	"	22,307	2018.09.26~2022.09.26	1.00%	"	Note 5
Mega International Commercial Bank	Secured borrowings	<u>90,984</u>	2018.09.26~2022.09.26	1.00%	Machinery (Note 1)	"
		3,118,221				
	Less: Current portion	(<u>330,620</u>)				
		<u>\$ 2,787,601</u>				

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

(Note 2) The amount of \$552,730 is payable every 1 month, a total of 73 quarterly amortisation since June 15, 2020; and the remaining \$241,700 is payable every 1 month, a total of 85 quarterly amortisation since May 15, 2023.

(Note 3) The Notes are repayable upon maturity.

(Note 4) Since March 5, 2019, payable every 3 months, a total of 24 quarterly amortisation.

(Note 5) Since December 26, 2019, payable every 3 months, a total of 12 quarterly amortisation.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF LEASE LIABILITIES-NON CURRENT
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Lease Period</u>	<u>Discount rate</u>	<u>Amount</u>
Land	2019.1~2064.1	1%~1.1%	\$ 387,725
		Less: Current portion	(10,129)
			<u>\$ 377,596</u>

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>	<u>Total</u>	<u>Note</u>
Spunlace nonwovens	16,077,109 KG	\$ 1,232,677	—
Biotechnology	26,229,963 BAG	1,108,293	—
	17,524 CAN		—
	141 ROL		—
	13,503,319 CS		—
	140,788,691 PCS		—
	57,886 KG		—
Air-through nonwovens	5,376,397 KG	590,671	—
Disposable surgical gowns	2,351,058 KG	<u>323,567</u>	—
		3,255,208	
Less: Sales returns and allowances		(<u>39,584</u>)	
		<u>\$ 3,215,624</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1	\$ 26,960
Add : Merchandise purchased	716,398
Less : Loss on Merchandise	(51)
Transferred to expense	(1,130)
Merchandise at December 31	(11,627)
Merchandise sold during the year	<u>730,550</u>
Raw materials and materials in transit at January 1	183,856
Add : Raw materials purchased	1,128,566
Gain on Raw materials	2
Less : Raw materials sold	(502)
Transferred to expense	(7,474)
Disposal	(403)
Raw materials and material in transit at December 31	(149,064)
Raw materials used during the year	<u>1,154,981</u>
Supplies at January 1	57,121
Add : Supplies purchased	172,972
Less : Loss on Supplies	(263)
Supplies sold	(1,767)
Transferred to expense	(17,021)
Disposal	(3,509)
Supplies at December 31	(35,741)
Supplies used during the year	<u>171,792</u>
Direct labor	180,118
Manufacturing overhead	785,120
Less: Under-applied fixed manufacturing overhead	(179,953)
Manufacturing cost	2,112,058
Work in process at January 1	1,925
Less : Transferred to expense	(27)
Work in process sold	(25)
Disposal	(673)
Work in process at December 31	(800)
Cost of finished goods	<u>2,112,458</u>

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Finished goods at January 1	\$ 243,539
Add : Finished goods purchased	7,225
Gain on Finished goods	287
Less : Transferred to expense	(23,398)
Disposal	(1,868)
Finished goods at December 31	(<u>173,314</u>)
Cost of production and marketing	2,164,929
Cost of raw material sold	502
Cost of supplies sold	1,767
Cost of work in process sold	<u>25</u>
Cost of inventory sold	2,897,773
Under-applied fixed manufacturing overhead	179,953
(Reversal of allowance) Provision for inventory market price decline	(5,323)
Loss on scrapped inventories	6,453
Loss on physical inventory	25
Income from sale of scraps	(<u>21,090</u>)
	<u>\$ 3,057,791</u>

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	—	\$ 62,916	—
Repairs and maintenance	—	115,283	—
Utilities	—	107,004	—
Depreciation	—	288,679	—
Others (less than 5%)	—	<u>211,238</u>	—
		<u>\$ 785,120</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	—	\$ 10,958	—
Shipping	—	23,290	—
Advertisement	—	19,012	—
Commission	—	17,637	—
Export charges	—	47,199	—
Others (less than 5%)	—	7,181	—
		<u>\$ 125,277</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	—	\$ 49,383	—
Entertainment	—	8,405	—
Contribution	—	14,992	—
Depreciation	—	21,059	—
Others (less than 5%)	—	42,278	—
		<u>\$ 136,117</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	—	\$ 15,386	—
Charges for services	—	10,644	—
Research requisition	—	14,815	—
Others (less than 5%)	—	9,036	—
		<u>\$ 49,881</u>	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF FINANCE COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(20) for the information related to finance costs.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND
AMORTIZATION EXPENSES IN THE CURRENT PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(21) for the additional information related to expenses and Note 6(22) for the information related to employee benefits.