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# NAN LIU ENTERPRISE CO., LTD.

## 2021 Annual Report

Annual Report Website: Market Observation Post System (<http://mops.twse.com.tw>)

Related Information: Same as above.

### Notice to readers

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

Printed on May 12, 2022

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📄 Spunlace Plant: No. 108-8, Szu-Li Rd, Yanchao District, Kaohsiung City, Tel: (07) 614-1799

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None

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## I. Letter to Shareholders

Thank you for your continuous support and care for Nan Liu, and we hope that you can keep giving us more attention and support!

The following is the report on 2021 business results.

### A. 2021 Business Report

#### (1) Achievements of the 2021 Business Plan

The Company's major businesses before 2021 included the sale of spunlace nonwoven fabrics, Air Through & Thermal Bond Nonwoven Fabrics, Disposable surgical gowns fabrics, hygiene consumables (most of sales on baby wet wipes), and facial mask/skin care products. In 2021, net sales was NT\$6,784,152 thousand, down 27.61% compared with 2020. Taking into cost of goods sold of NT\$5,867,976 thousand, total operating expenses of NT\$652,538 thousand, and other non-operating income and expenses of NT\$13,401 thousand, profit before income tax came in at NT\$250,237 thousand. Estimated income tax expense was NT\$132,969 thousand, and the net income was NT\$117,268 thousand with an EPS of NT\$1.62.

#### (2) 2021 Consolidated Financial Expenditure and Profitability

Unit: NT\$ thousand

Consolidated Statements of Comprehensive Income	2021	2020	Change %
Net Sales	6,784,152	9,371,410	-27.61%
Cost of goods sold	5,867,976	6,626,279	-11.44%
Gross profit	916,176	2,745,131	-66.63%
Total Operating expenses	652,538	668,477	-2.38%
Net operating profit	263,638	2,076,654	-87.30%
Other non-operating income and expenses	-13,401	84,066	-115.94%
Income before income tax	250,237	1,992,588	-87.44%
Net Income	117,268	1,453,723	-91.93%

#### (3) Consolidated Profitability Analysis

Unit: %

	2021	2020
Return on assets	1.32%	14.50%
Return on equity	3.02%	39.43%
Capital ratio	Net operating profit	36.31
	Income before income tax	274.46
Net profit margin	1.73	15.51
After-tax earnings per share (NT\$)	1.62	20.02

The company faced some challenges in 2021. Because COVID-19 active all over the

world. Each country block down. Trading isn't working smoothly. Material price and shipment cost grew high. It effected sales and profit directly. Under above challenges, all employees pledged more efforts and consistently develop new products.

In general, net sales down 27% and profit down 92%. With the great teamwork and efforts of all employees, the net income in 2021 reached NT\$117,268 thousands (EPS NT\$1.62). The Taiwan Yanchao plant finished in 2019. The capacity utilization was full in 2020. Net sales and profit grew largely. Effecting by world economy, the profit isn't good as expected.

## **B. Summary of the 2022 Business Plan**

### **(I) Business Policy and Implementation**

- (1) Our new vision is implemented in the Company's daily operations, and our business philosophy is strengthened and fulfilled to achieve the goal of organizational optimization.
- (2) Integration of supply chain management: we aim to have in place competitive and strategic raw materials suppliers, meet our customers' flexible and rapid demands, and reduce inventory costs to increase cash flow.
- (3) Strengthen education and training systems, create a passionate and excellent work environment, improve staff morale, and boost operational efficiency.
- (4) Continue enhancing product development capabilities and production technologies: obtain leading technologies and upgrade production capabilities; become a research and development center for our customers; and cooperate with technology experts at home and abroad, such as technical research and academic institutions.
- (5) Implement green-energy policies and reduce carbon emissions to simultaneously lower costs and protect the environment, exercise social responsibility as a global citizen, and enhance overall image of the Company.
- (6) Persistently implement prudent accounting practices and strengthen financial risk management to improve profitability.

### **(II) Major Marketing Strategies**

- (1) Buildup of capacity: add new production lines and enhance the benefits of economies of scale.
- (2) Leadership in quality and technology: with customer-oriented approaches and the development of new products, promote the Company's international branding.
- (3) Automation: consistently improve enterprise resource planning (ERP) systems, strengthen operational controls, and integrations to improve core competitive power.
- (4) Adopt more aggressive strategies to enhance the position of the production base in Asia.

### **(III) Future Development Strategy**

Uphold the principle of the "cycle of virtues" — that is, to profitably provide customers with outstanding quality, delivery and service, so that they are incentivized to purchase even more products from the Company, and thereby looking after the interests of shareholders and employees. In so doing, all four stakeholders — shareholders, employees, and customers, the community — can achieve win-win outcomes.

### **(IV) Competition, the Regulatory Environment, and General Business Conditions**

While input prices are rising at home and abroad, the Company has strengthened its cost control measures. At the same time, our international platform offers improved conditions

for customer orders through competitive advantages, and fluctuations in raw material prices are incorporated into price negotiations.

The Company will continue to strengthen its knowledge of the market environment; integrate regulatory and customer standards; reinforce accounting and legal requirements; promote environmental and labor protection initiatives; and enhance corporate governance and corporate social responsibility.

With increasing demands for the use of green energy and requirements for carbon reduction, we intend to hold ourselves to world-class standards in the pursuit of business growth.

Overall, while adverse external environments and rising production costs pose increasingly rigorous challenges, the Company believes that customers' demands can be satisfied through constant innovation and improving processes to maintain a competitive advantage and maximize profits for its shareholders.

With best wishes, and to good health and success for all,

Chairman  
Mr. Huang Chin-san



General Manager:  
Mr. Chia Nan Wang



Accounting Manager:  
Mr. Chang Cheng Hsu



## II. Company Profile

### 1. Company Introduction

(I) Founding Date: December 1978

(II) Contact Information of the Head Office, Branch Offices and Plants:

Name	Address	Tel
Head Office:	No. 699, Silin Rd., Yanchao Dist., Kaohsiung City	(07) 611-6616
Qiaotou Plant:	No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City	(07) 611-6618
Spunlace Plant	No. 108-8, Szu-Li Rd, Yanchao District, Kaohsiung City	(07) 614-1799
Pinghu Plant	No. 2188, Xinkai Road, Pinghu Economic Development Zone, Zhejiang Province, China	(+86-573-85136616)
India Plant	Plot. No E-22,23,24, Sanand II, GIDC Estate, Village-Bol, Sanand, Ahmedabad, Gujarat-382110	+91 2717 696 616

(III) Company History

1978	Established the Company, NANLIU ENTERPRISE CO., LTD, on 166 Dingjing Road in Kaohsiung, producing and selling household cleaning fabrics. The capital was NT\$1 million.
1980	NANLIU ENTERPRISE CO., LTD combined with NANLIU ENTERPRISE AGENCY at the present site of No. 88, Bixiu Road, Qiaotou District, Kaohsiung City. Its capital was NT\$6.6 million. At the same time, the production of grinding materials was developed successfully. The company owned 1200 square meters of working area.
1985	The capital increased to NT\$10 million. The Company added nonwoven production lines and began integral operation from fibers to finished products. The high-quality kitchen cleaning fabrics were to be sold to Japan, whose agency was OHE in Hege county, Hainan Township. At the same time, the quality passed the requirements of the 20th Japanese Food Sanitation Law.
1988	The Company purchased two high-performance nonwoven production lines and specialized in producing the lining of bra to support Wacoal, Triumph of Taiwan and other manufacturers. The capital increased to NT\$29 million.
1991	The Company purchased the No.1 thermal-bonded machine with a carding machine from Spinnbau (Germany) and a hot melt machine from Ramisch. The Company used Danish Danaklon fibers to produce hot-melt nonwovens to support diaper manufacturers from Taiwan and overseas.
1993	The capital increased to NT\$66 million. In December of this year, the Company purchased a needle-punch machine from Dilo Company.
1994	Purchased the No. 2 thermal-bonded machine with a carding machine from Spinnbau and a hot melt machine from Ramisch.
1995	Purchased the No.1 Thru-Air machine with a carding machine from Hergeth (Germany) and Thru-Air machines from Hirano Company (Japan), which was finished in March. Another hot melt machine was added in April.
1997	The capital increased to NT\$96 million, and the Company purchased the third thermal-bonded production line.
1998	The No. 3 thermal-bonded machine, the line with Thibau carding and a Kuster high-speed thermal-bonded roller (Germany) was tested successfully and produced well. The capital increased to NT\$126 million.



1999	Another NT\$34.02 million was added to the capital, and profits were transferred into the capital to achieve capital of NT\$197.82 million. The second facility was built. The Company purchased a spunlace line. The Nanliu facilities achieved ISO9001 certification.
2000	Installation and testing of the Spunlace machine and wet wipe converting machine were completed in September. The Spunlace machine produces high-tech and high-quality spunlace nonwoven fabrics used widely in household wipes, soft wet tissues, paper pants, traveling towels, PU artificial leathers, etc. Capital increased to NT\$250 million. Stock was offered publicly on July 7.
2001	Profits were transferred into capital to the level of NT\$275 million. The product orders of spunlace fabrics at Yanchao Plant exceeded the production capacity. Revenue grew by 22%.
2002	Profits were transferred into capital to the level of NT\$297 million. Annual revenue exceeded NT\$1 billion, growing by 25%. Plans were made to purchase the second spunlace production line. Company stock was registered on the Taiwan Secondary Stock Market on December 25.
2003	Profits were transferred into capital to the level of NT\$326.7 million. A new 400 square meter clean-room quality workshop was installed. Development and manufacturing of cream and liquid cosmetics were begun. The annual revenue reached NT\$1.16 billion.
2004	Profits were transferred into capital to the level of NT\$349.569 million. The second spunlace production line was installed to begin production in the third quarter of 2005 and contribute NT\$600 million to the annual revenue. Biotech care products occupied 28% of the total revenue. The annual revenue reached NT\$1.3 billion.
2005	Profits were transferred into capital to the level of NT\$384.57 million. The second spunlace product line went online in the third quarter. Biotech care products occupied 35.28% of the total revenue. The annual revenue reached NT\$1.42 billion. Construction began on Mainland China's Pinghu Plant.
2006	Profits were transferred into capital to the level of NT\$423 million. Biotech care products occupied 30.6% of the total revenue. The annual revenue reached NT\$1.53 billion. Surgical gown fabrics that had been developed successfully began the process to receive certification.
2007	The annual revenue reached NT\$1.69 billion. Surgical gown fabrics received their quality certification. The spunlace production line of Mainland China's Pinghu Plant was installed. With an area of 4,500 square meters, the biotech plant had a GMPC-based production environment and management and adopted medical-grade EDI ultrapure water equipment.
2008	A combined annual profit of NT\$1.9 billion was achieved. Pinghu Plant obtained GMPC and ISO 2000 quality certification and a production permit for cosmetic and hygiene products. Established Nan Liu Enterprise Co., Ltd. (Singapore) in December.
2009	Profits were transferred into capital to the level of NT\$468 million. A combined annual revenue of NT\$2.32 billion was achieved. The certificate of "Operational Headquarters in Taiwan" was obtained from the Ministry of Economic Affairs. Pinghu Plant: High-Tech Woodpulp Spunlace Fabrics passed European Standard- EN 13795 and AAMI. (Association of Advanced Medical Standard).
2010	Profits were transferred into capital to the level of NT\$528 million. A combined annual revenue of NT\$2.86 billion was achieved. The ISO 14001:2004 certificate on the Environmental Management System was obtained. Medical fabrics for surgical gowns and drapes were approved by major clients and received orders.
2011	Profits were transferred into capital to the level of NT\$600 million. A combined annual revenue of NT\$3.52 billion was achieved. The ISO 9001:2008 certificate on the Quality Management System was obtained.

	<p>The CNS certificate was obtained from Bureau of Standards, Metrology &amp; Inspection, Ministry of Economic Affairs.</p> <p>Two automatic converting lines were added for cosmetic facemasks in addition to one 80-pc wet wipe converting line and one travel pack wet wipe converting line.</p>
2012	<p>Capital increased to NT\$645 million by cash. A combined annual revenue up to NT\$3.7 billion was achieved.</p> <p>FSC™-COC (Chain of Custody) certified.</p> <p>ISO 13485 (Medical Devices Quality Management Systems Standards) certified.</p> <p>ISO 22716 (Cosmetic GMP) certified.</p>
2013	<p>Capital increased by cash to NT\$726 million. Combined annual revenue increased to NT\$4.568 billion. Approved by Taiwan Stock Exchange for Initial Public Offering on May 7, 2013.</p> <p>The widest spunlace machine (6.2 m width) was installed and began operation in Q4 at the Pinghu plant. Automatic wet wipe converting lines were added to the Taiwan and China plants.</p> <p>Ranked 32 in the Top 40 companies list by Global Nonwovens Industry for 2013.</p>
2014	<p>Combined annual revenue increased to NT\$5.34 billion.</p> <p>Installed two additional facial mask processing lines at each of the Taiwan and China plants.</p> <p>Installed another 3.8 m Air through production line at the Pinghu Plant that will begin operation in Spring 2015.</p> <p>Honored with the award of Technical Textiles merit and the 11th Outstanding Enterprise Manager of Southern Taiwan.</p> <p>Qualified as a candidate for the Excellent Performance Award by the Ministry of Economic Affairs.</p> <p>Ranked 25 of Top 40 companies list by Global Nonwovens Industry for 2014.</p>
2015	<p>Combined annual revenue increased to NT\$5.92 billion.</p> <p>Established the Nanliu (Taiwan) Charities Foundation in January.</p> <p>Established the Nanliu (Pinghu) Charities Foundation in January as the first foreign company in Pinghu to set up a Charities Foundation.</p> <p>Honored with the 3rd Excellent Performance Award by the Ministry of Economic Affairs in May.</p> <p>Chairman Huang, Chin-Shan was awarded the Honorary Doctor of Engineering of National Kaohsiung University of Applied Sciences in May.</p> <p>Two new automatic facial mask processing lines were added in each of the Taiwan and Pinghu plants in Q2.</p> <p>Chairman Huang, Chin-Shan took over as the president of Asia Nonwoven Fabrics Association in December.</p> <p>Installed extra 3.8 m Thru-Air production lines in the Pinghu Plant that began operation in Q4.</p>
2016	<p>Consolidated net sales increased to NT\$6.09 billion. Through OHSAS 18001 certification (Occupational Health and Safety Management Systems).</p> <p>Nanliu (Pinghu) was awarded 9<sup>th</sup> place for Industrial sales by Pinghu Economic Development Zone and 14<sup>th</sup> place for Tax payments in March.</p> <p>Attended IDEA 2016 Global Nonwovens Exhibition at Boston MA, USA in May.</p> <p>Ranked 24<sup>th</sup> in the Top 40 companies list by Global Nonwovens Industry for 2016 and ranked 4<sup>th</sup> in Asia.</p> <p>An automatic wet wipe line was added to the Pinghu plant in Q4.</p>
2017	<p>Commencing construction of the new Yanchao plant in February.</p> <p>Awarded ISO 9001 certification (Quality management systems) by SGS international in March, ISO 9001-2015 certification and ISO 14001-2015 certifications in March.</p> <p>Attended 2017 INDEX exhibition in Geneva, Switzerland during April.</p> <p>The new Regulations approved by Ministry of Health and Welfare of Executive Yuan from June 1, 2017.</p>

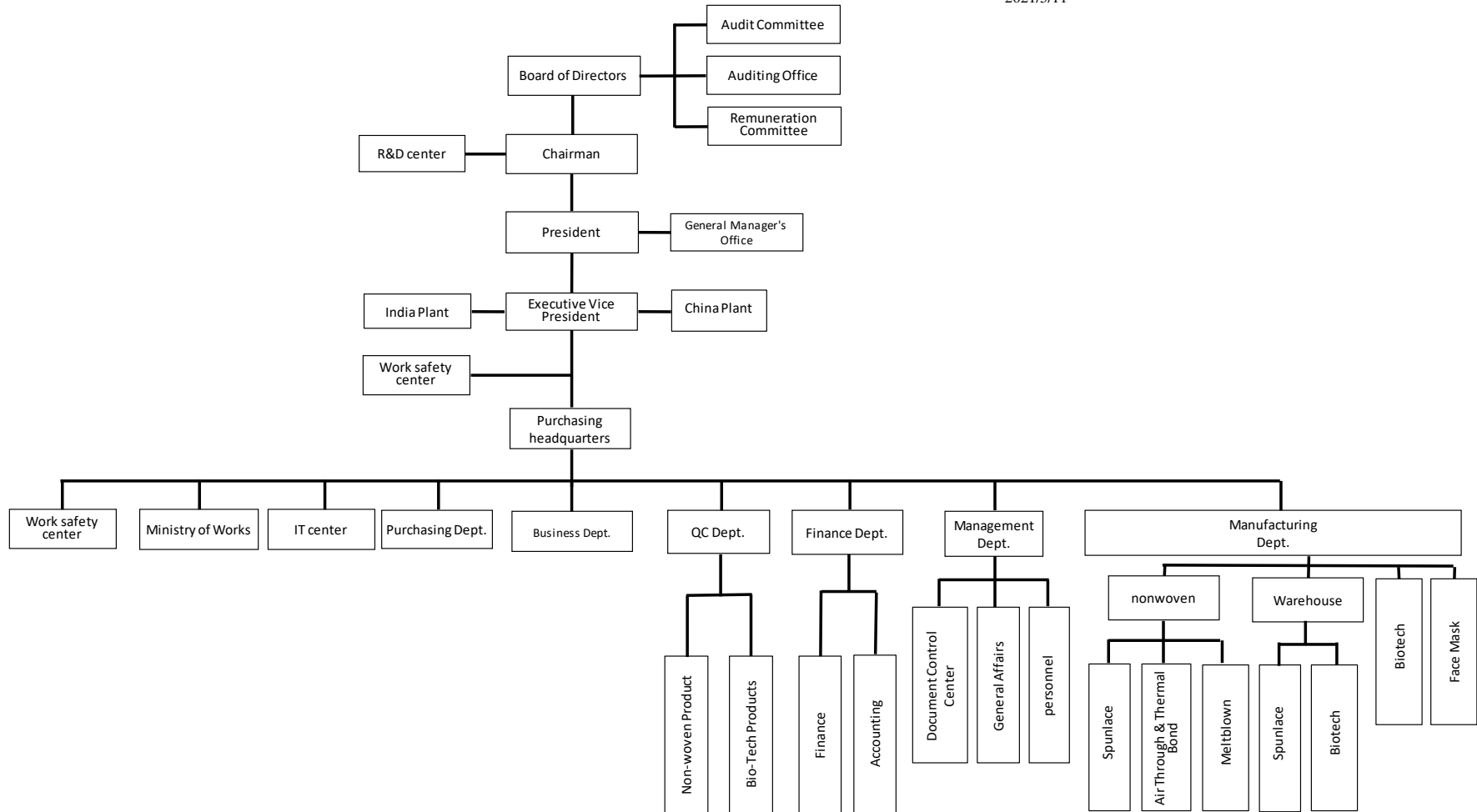
	<p>Cosmetic management include baby wet wipes. Yanchao plant was approved and registered in May. Nan liu was the first approved company in Taiwan.</p> <p>NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED registered in September.</p> <p>Awarded Innovation Quality Management by SGS in December.</p> <p>Awarded ISO13485-2016 certification in December.</p>
2018	<p>Expansion of 1rd and 2nd warehouses which total area around 15,000 square meters completed in March. Pinghu plant ranked top 10 companies revenue and taxes payment list by Pinghu Economic Development Zone in April.</p> <p>Nanliu India Plant start to fill soil at Ahmedabad Gujarat in June.</p> <p>The consolidated net sales was over NTD 6.8 billion.</p>
2019	<p>Construction of the Yanchao new plant was finished. Nanliu was established for 40 years.</p> <p>ISO 45001:2018 Occupational health and safety management systems certification in January.</p> <p>The head office moved to Yanchao new plant in February.</p> <p>The cotton non-woven production line and 6M spunlace non-woven production line test run in March.</p> <p>Chairman Huang, Chin-Shan was awarded the Honorary Doctor of Cheng Shiu University in April.</p> <p>The India plant start construction in April.</p> <p>To establish 100% holding subsidiary CHING-TSUN biomedical technology Co., Ltd. In July.</p> <p>To sign MOU with Kaohsiung Medical University in July.</p> <p>Suppliers Ethical Data Exchange (SEDEX) certification in September.</p> <p>The Global Organic Textile Standard, GOTS certification in November.</p> <p>Awarded Kaohsiung Leading Enterprise in December.</p>
2020	<p>Because of COVID-19, supply nonwoven for material of masks and isolation gown in February.</p> <p>Pinghu plant ranked six of top 30 companies' taxes payment list by Pinghu Economic Development Zone in March.</p> <p>Factory registration certificate of Medical Materials manufacturing, wholesale, retailing was obtained and Pharmacist manufacturing license certificate by Department of Health, Kaohsiung City Government in April.</p> <p>Nanliu medical masks certificate by Food and Drug Administration in April.</p> <p>Except sale medical masks to government, start to export medical mask to Singapore customer.</p> <p>Donating medical masks 10 million pcs to Japan, America, India, Indonesia, Poland, Slovensko, Romania in June.</p> <p>Ranked 56 th in the top 100 Taiwan CEO of HBR 2020 in October.</p> <p>Chairman Huang, Chin-Shan was awarded the Honorary Doctor of Ling Tung University in December.</p> <p>The consolidated net sales was over NTD 9.37 billion.</p>
2021	<p>India plant completion, then machine installation in January.</p> <p>The second phase of Yanchao main plant project start work in February.</p> <p>President of Societies Kang-Tu entrepreneur Association for 13<sup>th</sup> and chairman of The Hatta Yoichi Memorial Foundation for the Culture and Arts in December.</p> <p>Top ten of Kaohsiung outstanding citizen, social responsibility Lifetime Contribution Award—Chairman Huang, Chin-san</p> <p>India plant test run.</p> <p>The consolidated net sales was over NTD 6.78 billion.</p>
2022	<p>India plant start to manufacture in March.</p>

### III. Corporate Governance Report

#### 1. Organization:

Nan Liu Enterprise Co., Ltd.  
Organization Chart

2021/5/11



Nan Liu Enterprise Co., Ltd.

Department Functions

Department		Primary Duties
Present's Office		<ol style="list-style-type: none"> <li>1. Execute the resolutions of the Board of Directors.</li> <li>2. Take charge of the formulation, implementation, communication, and negotiation of the business objectives.</li> <li>3. Study, formulate, execute, and follow up on the projects.</li> <li>4. Formulate the guidelines and strategies for the Company's future development.</li> </ol>
Auditing Office		<ol style="list-style-type: none"> <li>1. Formulate and improve the Company's internal control system.</li> <li>2. Plan and execute the audit on the Company's systems, prepare the audit report on a regular basis, and follow up on the progress.</li> </ol>
Overseas Business Department		Take charge of the planning and operations for overseas subsidiaries.
R&D center		<ol style="list-style-type: none"> <li>1. Take charge of research and development of non-woven products.</li> <li>2. Take charge of research and development of cosmetic products.</li> <li>3. Take charge of research and development of medical products.</li> </ol>
Business Department	International Trade Division	Take charge of the development and sales of overseas markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service.
	Domestic Trade Division	<ol style="list-style-type: none"> <li>1. Take charge of development and sales of domestic markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service.</li> <li>2. Take charge of development and sales of new domestic markets, development of sales channels, product advertising, feedback of market information, and customer service.</li> </ol>
IT center		<ol style="list-style-type: none"> <li>1. Take charge of formulation and implementation of the Company's computerized operation plan, maintenance of software and hardware, preparation of internal documents, and solutions for the use of computers.</li> <li>2. Planning and processing of company information security.</li> </ol>
Work safety center		Management and maintain of Safety and Health.
Administration Department	HR	Take charge of payroll, bonuses, performance evaluation, and training programs, planning of the Company's human resources and organizational development.
	Document management	Process of internal document, following and filing of ISO.
	General affairs	Take charge of general affairs, transceiver, staff meals, and security.
Finance Department	Finance Division	Take charge of financial analysis, financing, operations and management of foreign exchange, and management of treasury.
	Accounting Division	<ol style="list-style-type: none"> <li>Plan and execute accounting, budgets, and tax affairs.</li> <li>Disclose the information on businesses.</li> </ol>
Quality Assurance Department		<ol style="list-style-type: none"> <li>Ensure the quality of raw materials provided by suppliers.</li> <li>Ensure the quality of the Company's products.</li> <li>Take charge of customer complaints, formulate preventive measures, and follow up on the progress.</li> <li>Formulate the Company's quality policy.</li> </ol>
Purchasing Department		Take charge of procurement, outsourcing, and inventory management.
Technical Department		<ol style="list-style-type: none"> <li>Responsible for process development and improvement of non-woven products.</li> <li>Responsible for process development and improvement of facial mask, cosmetic product, wet wipes, and household cleaning.</li> </ol>

Overseas Business Dept.		Planning and management of overseas.	
Manufacturing Dept.	Spunlace Plant	Plant Affairs Section	1. Take charge of production planning and scheduling, preparations for production reports, and follow-up. 2. Manage the schedule of raw materials. 3. Take charge of equipment maintenance and improvement in efficiency.
		Electromechanical Section	Plan the maintenance of production machines.
		Production Section	Production of spunlace and cotton nonwovens.
	PP Plant	Plant Affairs Section	1. Take charge of equipment maintenance and improvement in efficiency. 2. Manage raw materials and finished products in warehouses. 3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.
		Production Section	1. The production of PP thermal bond nonwoven. 2. The production of AT air-through nonwoven. 3. The resin bond padding of needle punch nonwoven
	Biotech Plant	Plant Affairs Section	1. Take charge of equipment maintenance and improvement in efficiency. 2. Manage raw materials and finished products in warehouses. 3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.
		Production Section	Production and processing of masks, cosmetic products, wet wipes, and household cleaning supplies.
	Warehouse Section		1. Plan the warehoused stock and shipments. 2. Control the inventory.

2. Board of Directors, Supervisors, General Manager, Deputy General Managers, Assistant Managers, and Directors of Departments and Subsidiary Agencies Directors and Supervisors

April 1, 2022

Unit: Share; %

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (Note 4)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
Chairman	Republic of China	Bixiu Investments Co., Ltd.	—	2019.05.29	3	2002.09.23	5,090,929	7.89	5,090,929	7.01	—	—	—	—	—	None	—	—	—	
		Representative: Huang Chin-San	Male	2019.05.29	3	2002.09.23	5,288,978	8.20	5,288,978	7.29	1,851,159	2.55	—	—	Department of Accounting, Ling Tung University Master of Industrial Engineering and Management, National Kaohsiung University of Applied Sciences Honorary Doctor of Engineering	Chairman of Bixiu Investments Co., Ltd. Chairman of Nanliu Enterprise Co., Ltd (SAMOA) Chairman of NAN LIU ENTERPRISE CO., LTD. (Pinghu) Honorary Director of Taiwan Nonwoven Fabrics Industry Association Chairman of Asia Nonwoven Fabrics Association (ANFA) Honorary Doctor of Cheng Shiu University Honorary Doctor of Ling Tung University	Director	Huang, Huo-Cun	Brother	
Director	Republic of China	Tian Zi Ding Investments Co., Ltd.	-	2019.05.29	3	2002.09.23	8,729,659	13.53	8,731,659	12.03	—	—	—	—	—	None	—	—	—	

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (Note 4)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
		Representative: Huang, Huo-Cun	Male	2019.05.29	3	2002.09.23	1,491,015	2.31	1,505,015	2.07	693,316	0.95	—	—	Department of Chinese Medicine, Beijing University of Chinese Medicine	Chairman of Tian Zi Ding Investments Co., Ltd. Deputy Chairman of NAN LIU ENTERPRISE CO., LTD. (Pinghu)	Director	Huang Chin-San	Brother	
Independent Director	Republic of China	Huang Tung-Rong	Male	2019.05.29	3	2016.06.13	—	—	—	—	—	—	—	—	Master's degree, Accounting Department, National Chi Nan University. Supervisor, Taiwan Industrial Bank	Managing Partner, Universal United CPA (CPA). Independent Director, Channel Well Technology (stock code: 3078).	—	—	—	
Independent Director	Republic of China	Huang Jin-Feng	Female	2019.05.29	3	2016.06.13	—	—	—	—	—	—	—	—	Ph. D., Textile Science and Technology Management, North Carolina State University. Ph. D., Textile Science, Illinois University. Full-time Associate Professor, Oriental Institute of Technology, (formerly known as Oriental Institute). Dean, Garment Engineering. Associate Professor, National Taiwan University of Science and Technology.	Drafter and Review Committee member, Customs Officers and Textile Technician Exams, Special Exam of Civil Servants, Ministry of Examination, Executive Yuan. Adjunct Associate Professor, Department of Fiber and Composite Materials, Feng Chia University.	—	—	—	



Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (Note 4)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
Independent Director	Republic of China	Huang Chun-Ping	Male	2019.05.29	3	2012.06.29	—	—	—	—	—	—	—	—	Ph.D. candidate, Global Business, Institute of China and Asia-Pacific Studies, National Sun Yat-sen University General Manager of Li Yang Development Co., Ltd.	Deputy Director of Incubation Center, Cheng Shiu University	—	—	—	
Director	Republic of China	Wang, Chin-Hung	Male	2019.05.29	3	2016.06.13	—	—	—	—	—	—	—	—	Ph.D. Philosophy, National Cheng Chi University. Master of Business Administration, National Chiao Tung University. Senior Vice President, Taipei Exchange. Senior Executive Officer of Premier's office Executive Yuan R.O.C. Executive Director, SME Guidance Center of Taipei City Government. Associate Researcher of NICI.	Adjunct assistant professor of International Business, Finance and Banking, Information Technology and Management, Shih Chien University	—	—	—	
Director	Republic of China	Yang Rui-Hua	Male	2019.05.29	3	2013.04.30	181,033	0.28	181,033	0.25	-	-	-	-	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	-	-	-	

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (Note 4)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
Director	Republic of China	Su Chao-Shan	Male	2019.05.29	3	2008.06.16	—	—	—	—	—	—	—	—	Executive Master of Business Administration, National Sun Yat-sen University Department of Law, National Taiwan University Professor and Dean of College of Business and Information, Shih Chien University Chairman of Bank of Kaohsiung Assistant Manager of Mizuho Bank Director of Bankers Association of Kaohsiung	Supervisor of Laser Tek Taiwan Co., Ltd. Director of Pershing Technology Services Corporation	—	—	—	
Director	Republic of China	Chung Mao-Chih	Male	2019.05.29	3	2007.06.07	749,451	1.03	749,451	1.03	—	—	—	—	Department of Accounting, Ling Tung University Business Administration Program, Tunghai University Manager of Pan Kuo-Chin CPAs & Co.	Xin Shi Dai Accountancy and Tax Agent	—	—	—	

Note 1: For representatives of corporate shareholders, please note the name of corporate shareholders and fill in the following form: Major Shareholders of Institutional Shareholders.

Note 2: In case of discontinuity in the first term of the Company's directors or supervisors, please provide the explanation as Note 1.

Note 3: For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

## 2. Major Shareholders of Institutional Shareholders

April 1, 2022

Names of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)
Bixiu Investments Co., Ltd.	Huang, Shih-Chung 30%
	Huang, Jen-Tsung 30%
	Huang, Hui-Ju 30%
	Huang, Chin-San 10%
Tian Zi Ding Investments Co., Ltd.	Huang, Ho-Chun 0.0034%
	Huang, Wu Su-Chen 0.0034%
	Huang, Yu-Tse 6%
	Huang, Wen-Han 6%
	Huang, Yun-En 6%
	Huang, Wan-Yi 6%
	Sheng-Yi Investments Co., Ltd. 19%
	Shang-Yi Investments Co., Ltd. 19%
	Cun-Huo Co., Ltd. 19%
Cun-Fu Co., Ltd. 19%	

Note 1: For representatives of institutional shareholders, please note the names of institutional shareholders.

Note 2: Please list the name of shareholders and %, for the top ten shareholders should fill follow table.

Note 3: For non-institutional shareholders, please note the shareholders' name and holding shares percentage.

April 1, 2022

Names of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)
Sheng-Yi Investments Co., Ltd.	Gao Chun Min 92.59%
Shang-Yi Investments Co., Ltd.	Zhang Mei Hui 92.59%
Cun-Huo Co., Ltd.	Huang, Ho-Chun 20%
	Huang, Yu-Tse 20%
	Huang, Wen-Han 20%
	Huang, Yun-En 20%
	Huang, Wan-Yi 20%
Cun-Fu Co., Ltd.	Huang, Wu Su-Chen 20%
	Huang, Yu-Tse 20%
	Huang, Wen-Han 20%
	Huang, Yun-En 20%
	Huang, Wan-Yi 20%

Note 1: For representatives of institutional shareholders, please note the names of institutional shareholders.

Note 2: Please list the name of shareholders and %, for the top ten shareholders should fill follow table.

Note 3: For non-institutional shareholders, please note the shareholders' name and holding shares percentage.

## Directors' information

Exposure of Professional position of directors and independent information of independent directors

Name	Condition	Professional position and Experience(Note1)	Independent situation(Note2)	Seats of independent directors in other companies
Bixiu Investments Co., Ltd. Representative: Huang Chin-San		Over five years' experience in Business, company business.		
Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-Cun		Over five years' experience in Business.		
Huang Tung-Rong		Over five years' experience in Finance, accounting.	Following article 3-1 item 5 to item 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters	1
Huang Jin-Feng		Over five years' experience in company business.	Following article 3-1 item 5 to item 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters	
Huang Chun-Ping		Over five years' experience in business, Finance, management.	Following article 3-1 item 5 to item 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters	
Wang, Chin-Hung		Over five years' experience in business, Finance, accounting.	Not employee and second-degree relatives	
Yang Rui-Hua		Over five years' experience in Business, company business.		
Su Chao-Shan		Over five years' experience in Business, Legal, Finance.	Not employee and second-degree relatives	
Chung Mao-Chih		Over five years' experience in Finance, accounting.	Not employee and second-degree relatives	

Condition Name	Basic								Business Experience				Professional ability		
	Nationality	Gender	Shareholder	Age			Independent experience		Professional service and sales	Finance	Business and supply	Information science	Legal	Accounting	Risk management
				45-55	56-65	Over 65	Below 3 years	From 6 to 9							
Huang Chin-San	Republic of China	Male	✓	—	—	✓	—	—	✓	✓	✓	○	○	○	✓
Huang, Huo-Cun	Republic of China	Male	✓	—	✓	—	—	—	✓	✓	✓	○	○	○	✓
Huang Tung-Rong	Republic of China	Male	—	—	—	✓	—	✓	✓	✓	○	✓	✓	✓	✓
Huang Jin-Feng	Republic of China	Female	—	—	—	✓	—	✓	✓	○	✓	✓	○	○	✓
Huang Chun-Ping	Republic of China	Male	—	✓	—	—	—	✓	✓	✓	✓	✓	○	✓	✓
Wang, Chin-Hung	Republic of China	Male	—	✓	—	—	—	—	✓	✓	✓	✓	○	✓	✓
Yan Rui-Hua	Republic of China	Male	✓	—	—	✓	—	—	✓	○	✓	✓	○	○	✓
Su Chao-Shan	Republic of China	Male	—	—	—	✓	—	—	✓	✓	○	○	✓	✓	✓
Chung Mao-Chih	Republic of China	Male	✓	—	—	✓	—	—	✓	✓	○	○	✓	✓	✓

Note: ✓ Has ability , ○ Has part of ability.

### 3. General Manager, Deputy General Manager, Assistant Manager, and Supervisors of Departments and Branch Agencies

April 1, 2022 Unit: Share; %

Job Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 2)	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Number of employee stock warrant
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	of shares			Job Title	Name	Relations	
General Manager	Republic of China	Chia Nan Wang	Male	2022.03.15	—	—	—	—	—	—	Ph. D., Department of Industrial Engineering and management, National Chiao Tung University	Doctor of National Kaohsiung University of Science and Technology President of Association of Chinese Commerce Industry	—	—	—	—
Vice President	Republic of China	Yang Rui-Hua	Male	1997.09.01	181,033	0.25%	—	—	—	—	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	
Vice President	Republic of China	Chang, San-Hua	Male	2011.01.03	5,000	0.01%	—	—	—	—	National Kaohsiung University of Applied Sciences Department of Industrial Engineering and Management	—	—	—	—	
Finance Manager, Corporate Governance Manager	Republic of China	Chuang, Chun-Chin	Female	1999.07.01	145,156	0.20%	—	—	—	—	Kaohsiung Municipal Kaohsiung High School of Commerce National Open College of Continuing Education affiliated to National Cheng Kung University Accountant, TOKO DENSHI CO., LTD.	—	—	—	—	
Audit Officer	Republic of China	Chen, Shu-Chiu	Female	2012.11.28	—	—	—	—	—	—	Department of Accounting, Providence University Certified Internal Auditor (CIA) RSM International Auditor, Pontex Group	—	—	—	—	

Note 1: General Manager, Deputy General Manager, Assistant Managers, Supervisors of Departments and Branch Agencies and persons who hold positions equivalent to General Manager, Deputy General Manager, or Assistant Managers shall be disclosed.

Note 2: For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

#### 4. Remuneration of Directors, Supervisors, General Manager and Deputy General Manager

##### (1) Remuneration paid to directors (including independent directors) in 2021:

December 31, 2021 Unit: NT\$1,000, %

Job Title	Name		Director's remuneration						Proportion of NIAT after summing items A, B, C, and D (Note 10)		Employee remuneration for other activities						Proportion of NIAT after summing items A, B, C, D, E, F, and G (Note 10)		Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in (Note 11)		
			Remuneration (A) (Note 2)		Retirement pension (B)		Director's remuneration (C) (Note 3)		Expense on professional practice (D) (Note 4)		Salaries, bonuses and special expenses (E) (Note 5)		Retirement pension (F)		Employee's remuneration (G) (Note 6)						
			The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company		All companies listed in this financial report (Note 9)			The Company	All companies listed in this financial report (Note 7)
														Cash amount	Share Sum	Cash amount	Share Sum				
Chairman	Bixiu Investments Co., Ltd.	Representative Huang, Chin-San																			
Director	Tian Zi Ding Investments Co., Ltd.	Representative Huang, Huo-Cun												8,633							
Director	Wang, Chin-Hung				520	520	480	480	0.8%	0.8%	2,047	2,047							9.96%	9.9%	
Director	Yang Rui-Hua																				
Director	Su Chao-Shan																				
Director	Chung Mao-Chih																				
Independent Director	Huang, Tung-Rong																				
Independent Director	Huang, Jin-Feng				526	260	240	240	0.4%	0.4%									0.4%	0.4%	
Independent Director	Huang Chun-Ping																				
Remuneration of Directors provide service to the Company: None.																					

Table of remuneration ranges for Directors and Independent Directors

Remuneration range for each director in The Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The company (Note 10)	All companies listed in this financial report (Note 10)	The company (Note 10)	All companies listed in this financial report (Note 10)
Less than NT\$1,000,000	Bixiu Investments Co., Ltd. (representative Huang, Chin-San), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-Cun), Huang, Tung-Rong, Huang, Jin-Feng, Huang, Chun-Ping, Wang, Chin-Hung, Yang, Rui-Hua, Su Chao-Shan, Chung Mao-Chih	Bixiu Investments Co., Ltd. (representative Huang, Chin-San), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-Cun), Huang, Tung-Rong, Huang, Jin-Feng, Huang, Chun-Ping, Wang, Chin-Hung, Yang, Rui-Hua, Su Chao-Shan, Chung Mao-Chih	Huang, Tung-Rong, Huang, Jin-Feng, Huang, Chun-Ping, Wang, Chin-Hung, Su Chao-Shan, Chung Mao-Chih	Huang, Tung-Rong, Huang, Jin-Feng, Huang, Chun-Ping, Wang, Chin-Hung, Su Chao-Shan, Chung Mao-Chih
NT\$1,000,000 (inclusive)–NT\$2,000,000				
NT\$2,000,000 (inclusive)–NT\$3,500,000	—	—	Bixiu Investments Co., Ltd. (representative Huang, Chin-San),	Bixiu Investments Co., Ltd. (representative Huang, Chin-San),
NT\$3,500,000 (inclusive)–NT\$5,000,000			Yang, Rui-Hua	Yang, Rui-Hua
NT\$5,000,000 (inclusive)–NT\$10,000,000	—	—	Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-Cun)	Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-Cun)
NT\$10,000,000 (inclusive)–NT\$15,000,000	—	—	—	—
NT\$15,000,000 (inclusive)–NT\$30,000,000	—	—	—	—
NT\$30,000,000 (inclusive)–NT\$50,000,000	—	—	—	—
NT\$50,000,000 (inclusive)–NT\$100,000,000	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	9 people	9 people	9 people	9 people

Note 1: The names of directors shall be listed separately (for institutional shareholders, the names of institutional shareholders and representatives shall be listed separately), and the payments shall be disclosed collectively. Directors who also serve as General Manager or Deputy General Manager are already listed in the table and the table below (3).

Note 2: Remuneration of directors of the recent year (including salaries, job remuneration, severance, bonuses, and performance fees).

Note 3: Remuneration paid to directors of the recent year upon the approval of the Board of Directors.

Note 4: Business expenses paid out to directors in the recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 5: Remuneration for directors concurrently holding positions in the Company (for positions that include the General Manager, Deputy General Manager, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 6: For directors concurrently holding positions in the Company of the recent year (including the General Manager, Deputy Manager, other



managerial officers, or employees) and receiving the remuneration (including stock and cash), distribution of the recent year compensation of Employees upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, distribution of the remuneration of the recent year shall be based on the proportion of the remuneration distributed last year and filled in Schedule (4).

Note 7: Total remuneration in various items paid out to the Company's directors by all companies (including The Company) listed in the consolidated statement shall be disclosed.

Note 8: For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.

Note 9: Total remuneration in various items paid to every director of The Company by all companies (including The Company) listed in the consolidated statement shall be disclosed. The name of the director shall also be disclosed in the proper remuneration range.

Note 10: Net income refers to the net income of the recent year; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report for the recent year.

Note 11: (a) The remuneration the Company's director receives from other non-subsidiary companies that The Company has invested in shall be disclosed in this column.

(b) If the director receives remuneration from investments in other companies that are not subsidiaries of The Company, said remuneration shall be included in Column I in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

(c) Remuneration in this case shall refer to remuneration, fees (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the director of The Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that The Company has invested in.

\* The remuneration disclosed in the table is different from the income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(3) Remuneration for the General Manager and Deputy General Manager

December 31, 2020

Unit: NT\$1,000, %

Job Title	Name	Salary (A) (Note 2)		Gratuity/Pension (B)		Bonuses and special expenses (C) (Note 3)		Employee's remuneration (D) (Note 4)				Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note 9)		Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in  (Note 11)
		The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in the financial report (Note 7)	The Company		All companies listed in this financial report (Note 5)		The Company	All companies listed in this financial report (Note 7)	
								Cash Sum	Shares Sum	Cash Sum	Shares Sum			
General Manager	Huang, Huo-Cun													
Vice President	Yang Rui-Hua	4,957	4,957	8,633	8,633	1,385	1,385	-	-	-	-	12.8%	12.8%	-
Vice President	Chang, San-Hua													

Table of remuneration ranges

Range of remuneration paid to each General Manager and Deputy General Manager in The Company	Names of the General Manager and Deputy General Manager	
	The Company	All companies listed in the financial report
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive)–NT\$2,000,000	Chang, San-Hua	Chang, San-Hua
NT\$2,000,000 (inclusive)–NT\$3,500,000	Huang, Ho-Chun	Huang, Huo-Cun
NT\$3,500,000 (inclusive)–NT\$5,000,000	Yang Rui-Hua	Yang Rui-Hua
NT\$5,000,000 (inclusive)–NT\$10,000,000	—	—
NT\$10,000,000 (inclusive)–NT\$15,000,000	—	—
NT\$15,000,000 (inclusive)–NT\$30,000,000	—	—
NT\$30,000,000 (inclusive)–NT\$50,000,000	—	—
NT\$50,000,000 (inclusive)–NT\$100,000,000	—	—
More than NT\$100,000,000	—	—
Total	3 people	3 people

## (4) Names of managerial officers provided with employee's compensation and state of payments

December 31, 2020

Unit: NT\$1,000, %

	Job Title	Name	Shares Sum	Cash Sum	Total	Percentage (%) of total amount to net income after tax
Managerial Officer	General Manager	Huang, Huo-Cun	0	0	0	0%
	Vice President	Yang Rui-Hua				
	Vice President	Chang, San-Hua				
	Finance Manager	Chuang, Chun-chin				
	Audit Officer	Chen, Shu-chiu				

\* For managerial officers receiving remuneration (including stock and cash), distribution of the employee's remuneration of the recent year upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in current year shall be based on the proportion of the remuneration distributed last year. Net income refers to the net income of the recent year; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report of the recent year.

5. Analysis of percentage of total remuneration paid by the Company and all companies listed in the consolidated financial report to the Company's directors, supervisors, General Manager and Deputy General Manager to the net income after tax in the last two years, as well as policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure

## (1). Analysis of percentage in last two years

Title	Percentage of total remuneration of parent company in 2021 to the net income after tax (%) (Note 1)		Percentage of total remuneration of parent company in 2020 to the net income after tax (%) (Note 2)	
	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report
Director	0.67%	0.67%	1.35%	1.35%
General Manager and Deputy General Manager	12.8%	12.8%	0.56%	0.56%

Note 1: Distributions of earnings of 2021 are based on the amount approved by the Board of Directors prior to the proposal for distribution of earnings before the Shareholders' Meeting.

Note 2: Distributions of earnings of 2020 are based on the amount approved by the 2019 Shareholders' Meeting.

Note 3: Net income after tax refers to all companies listed in 2021 and 2020 consolidated financial statements.

## (2). Policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

<1> The remuneration of directors and supervisors is distributed in accordance with Article 17 of the Articles of Incorporation (see the official website). In accordance with Article 20 of the Articles of Incorporation, if the Company makes a profit, less than 2% as compensation for directors and supervisors. However, the Company's accumulated losses shall first have been covered. The payment procedure of remuneration refer to result of 'Annual Internal Board of Directors Performance Evaluation'. Distribution of directors' and supervisors' reasonable remuneration depend on the Company's general performance, risk of industry in the future and development trend, personal performance and contribution for the Company. The remuneration paid to directors and supervisors shall be based on the level of participation in the operations, contributions, and the standards of the same trade; the bonuses paid to directors and supervisors shall be based the Company's earnings and personal business performance and the standards of the same

trade. Accordingly, the Company's business performance is closely related to the remuneration of directors, supervisors, General Manager, Deputy General Manager, and employees.

- <2> The remuneration of directors and supervisors includes traveling expenses, business expenses, and director's remuneration. If a director is also an employee of the Company, he/she may receive the employee bonus; in addition to the basic salary, job remuneration, performance bonuses, and employee bonuses may be distributed to General Manager and Deputy General Manager based on the official rank and performance.

### 3. Implementation of Corporate Governance:

#### (1) Implementation of the Board of Directors:

<1> Eight meetings were held by the Board of Directors in the recent year (2021) with their attendance shown as follows:

Job Title	Name	2021			Remarks
		Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-San	6	–	100%	
Director	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-Cun	3	–	50%	
Independent Director	Huang Tung-Rung	6	–	100%	
Independent Director	Huang Jin-Feng	6	–	100%	
Independent Director	Huang Chun-Ping	6	–	100%	
Director	Wang Chin-Hung	6	–	100%	
Director	Yang Rui-Hua	6	–	100%	
Director	Su Chao-Shan	6	–	100%	
Director	Chung Mao-Chih	6	–	100%	

<2> Two meetings were held by the Board of Directors as of the publication date (2022) of the annual report with the attendance of Directors shown as follows:

Job Title	Name	2021			Remarks
		Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-San	3	–	100%	
Director	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-Cun	0	–	0%	
Independent Director	Huang Tung-Rung	3	–	100%	
Independent Director	Huang Jin-Feng	3	–	100%	
Independent Director	Huang Chun-Ping	3	–	100%	
Director	Wang Chin-Hung	3	–	100%	
Director	Yang Rui-Hua	3	–	100%	
Director	Su Chao-Shan	3	–	100%	
Director	Chung Mao-Chih	3	–	100%	

Other items that shall be recorded:

- For matters specified in Article 14-3 of Taiwan's Securities and Exchange Act or Board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, the date of the Board meeting, session number, content of proposal, opinions of all independent directors, and the Company's disposal of such opinions shall be stated.

Session number of the Board of Directors meeting and date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first times of the Board of Directors in 2021, 2021/03/10	1. Approved Distribution of the 2020 Compensation of Employees, Directors and Supervisors.	V	
	5. Amendments the revision of the Relationship Enterprises financial business-related operating norms, shareholder meeting rules, director selection procedures, directors and managers ethical code of conduct, independent directors responsibility area rules, board performance evaluation methods.	V	
	6. Amendments to Parts of the Articles of Incorporation.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The second time of the Board of Directors in 2021, 2021/05/07	2. Approved the new 'Nan Fang Enterprise (India) Private Limited' in India.	V	
	3. Approved distribution of the 2020 Compensation of managers, and directors	V	
	5. Approved the parent company endorsement guarantee amount case.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The fourth times of the Board of Directors in 2021, 2021/08/10	3. Approved capital increase through issuance of common shares.	V	
	4. Approved loan guarantee for subsidiaries.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The sixth times of the Board of Directors in 2021, 2021/12/22	3. Approved Accounting officer and Financial officer.	v	
	5. Approved 2022 Compensation of managers, 2021 Bonus distribution of managers, 2021 Compensation of Employees, 2021 Compensation of Directors and Supervisors by Remuneration committee.	v	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The first times of the Board of Directors in 2022, 2022/03/15	1. Approved Distribution of the 2021 Compensation of Employees, Directors and Supervisors.	V	
	5. Amendments to Parts of 'Articles of Incorporation'.	V	
	6. Amendments to Parts of 'Rules of Procedure for Shareholders Meetings'.	V	
	7. Amendments to Parts of 'Regulations Governing the Acquisition and Disposal of Assets'.	V	
	11. Approved recruitment of general manager.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
	3. Amendments to Parts of 'Articles of Incorporation'	V	

The second time of the Board of Directors in 2022, 2022/04/19	4. Approved loan guarantee for subsidiaries.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The Company's independent directors have expressed no opposition or qualified opinions.			
2. For the avoidance of conflict of interest by directors, the names of directors, content of proposal, reasons for the avoidance of conflict of interest, and the participation in the vote shall be stated: None.			

(2) Implementation of Performance Evaluation of Board of Directors.

Evaluation cycle (Note1)	Evaluation period (Note2)	Evaluation range (Note3)	Evaluation method (Note4)	Evaluation content(Note5)
Annual one time	From January 1, 2021 to December 31, 2021	Performance Evaluation of Board of Directors, individual directors and Functional Committee	Internal self-evaluation of Board of Directors, self-evaluation of board of directors members	<p>(1) Performance Evaluation of Board of Directors: Including of participation in the operation of the company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors, internal control.</p> <p>(2) Performance Evaluation individual directors: Including of alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education; and internal control.</p> <p>(3) Performance Evaluation of Functional Committee: participation in the operation of the company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, makeup of the functional committee and election of its members and Internal control.</p>

Assessment of objectives and implementation status in the area of strengthening the powers of the Board of Directors for current and recent years:

The Company has formulated 'Regulations Governing Procedure for Board of Directors Meetings' according to Regulations Governing Procedure for Board of Directors Meetings of Public Companies. The Company follow the government rules to approved Regulations Governing Procedure for Board of Directors Meetings and updated it. The Company uploaded the attendance to the Board of Directors meetings to Market Observation Post System. Major resolutions made by the Board of Directors have been disclosed on the

Company's website and maintained by responsible departments. Information on the Company's finances is also disclosed on the website from time to time. Established by the Company in 2011, the Remuneration Committee is responsible to assist the Board of Directors in managing the remuneration. The directors and supervisors expiration of the term will be in 2019 and re-elect all the directors. To replace functions of supervisors with establishing Audit Committee, will be application after shareholders' meeting.

To implement the corporate governance and enhance the functions of the Board of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows.

- Participation in the operation of the company.
- Improvement of the quality of the board of directors' decision making.
- Composition and structure of the board of directors.
- Election and continuing education of the directors.
- Internal control.

The Board of Directors of the Company conducts an annual internal performance evaluation and conducts an annual performance evaluation at the end of each year. It is completed and collected all information before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2021 were good and reported to the Board of Directors on March 15, 2022 and the contents were posted on the Company's website.

(3) Implementation of Audit Committee.

<1> Five meetings (A) were held by the Board of Directors in the recent year (2021) with their attendance shown as follows:

Job Title	Name	Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	Remarks
Independent Director	Huang Tung-Rung	5	0	100%	
Independent Director	Huang Jin-Feng	5	0	100%	
Independent Director	Huang Chun-Ping	5	0	100%	

The Audit Committee was composed of three independent directors. For helping board of directors, the main function of the Audit Committee is to supervise the quality and ethics of accounting, internal audit officer, financial reporting flow and financial control.

The Committee shall convene at least once quarterly. The powers of the Committee are as follows:

1. Auditing of financial statements and financial policy, procedures.
2. Internal control system and related policy, procedures.
3. Asset transactions or derivatives trading of a material nature.
4. Loans of funds, endorsements, or provision of guarantees of a material nature.
5. The offering, issuance, or private placement of equity-type securities.
6. Investment of equity-type securities and cash.
7. Compliance.
8. Matters in which a director or manager is an interested party.
9. Appeal report.
10. Prevention fraud plan and fraud survey report.
11. Information security.



12. Risk management.
  13. Seniority, independent and performance of audit accountants.
  14. The hiring or dismissal of a certified public accountant, or their compensation.
  15. The appointment or discharge of a financial, accounting, or internal audit officer.
  16. Process of Audit Committee.
  17. Evaluation of Audit Committee.
- Review financial report  
The Board of Directors approved 2021 Business Report, financial statements and distribution of Profit. The financial statements is audited by PricewaterhouseCoopers Taiwan. The above Business Report, financial statements and distribution of Profit were audited by the Audit Committee and there's no any problem.
- Effectiveness of internal control system evaluation  
The Audit Committee evaluate effectiveness of policy and procedures of the Company's internal control system (including of financial, business, risk management, information security and external compliance). The Committee review regular report of audit office, audit accountants, managers that include risk management and compliance. Reference announcement of Internal Control Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the audit committee members recognize the effectiveness of risk management and internal control system. The Company takes necessary control system to supervise and correct the violation action.
- Implementation of Audit Committee.

Session number of the Audit Committee meeting and date	Major resolutions and subsequent processing	Article 14-5 of the Securities and Exchange Act	The qualified opinion unreview by Audit Committee and approved by over two thirds of all directors
The first session the ninth time Audit Committee 2021.3.10	Report item: 1.Audit report 2.Self-assessment report of the board of directors' performance appraisal of 2020. 3.Accountant Independence Assessment Report of 2020. 4.Insurance director liability insurance report Discussion item: 1.Annual individual financial statements and consolidated financial statements and business reports 2.Assessment of the effectiveness of the internal control system and a statement of the internal control system 3. Amendments to the relevant measures and regulations: Parts of 'Procedure of subsidiaries for financial', 'Rules of Procedure for Shareholders Meetings', 'Procedure for Election of Directors', 'Guidelines for the Adoption of Codes of Ethical Conduct', 'Rules of independent directors' duty', 'Regulations for evaluation of Board of Directors Meetings'.	            V            V            V	
	The results of the decision by Audit Committee(2021.03.10): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass		
The first session the tenth time Audit Committee 2021.5.7	Report item: 1. The 2020 Corporate Governance Evaluation Result. 2. Internal audit report. Discussion item: 1. Investment of NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED. 2. Loan guarantee for subsidiaries.	            V            V	
	The results of the decision by Audit Committee(2021.05.07): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass		

The first session the eleventh time Audit Committee 2021.8.10	Report item: 1. Financial Statements for the second quarter of 2021. 2. Internal audit report.		
	Discussion item: 1. Capital increase through issuance of common shares. 2. Loan guarantee for subsidiaries.	v v	
	The results of the decision by Audit Committee(2021.08.10): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass		
The first session the twelfth time Audit Committee 2021.11.9	Report item: 1. Financial Statements for the third quarter of 2021. 2. Internal audit report.		
The first session the thirteenth time Audit Committee 2021.12.22	Report item: 1. Internal audit report. 2. 2022 annual business plan.		
	Discussion item: 1. 2022 annual audit plan. 2. Accounting officer and Financial officer.	v v	
	The results of the decision by Audit Committee(2021.12.22): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass		

Other items that shall be recorded:

1. If the supervisors stated any opinions while attending Audit Committee, the date, session, contents of the case discussed, and resolution of the Audit Committee as well as The Company's disposition of opinions stated by the Audit Committee members shall be described.
  - (1) Listing Article 14-5 of the Securities and Exchange Act.
  - (2) Except above, others that approved by two thirds of boards of directors and not approved by Audit Committees.
2. For the avoidance of conflict of interest by independent directors, the names of independent directors, content of proposal, reasons for the avoidance of conflict of interest, and the participation in the vote shall be stated.
3. Communication of independent directors between audit manager and accountant. (Including of important items, methods, results of the Company's finance, sales)

(4) State of corporate governance, gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
1. Did the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has stipulated best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclosed them in the Investor Area on the Company's website.	No material gap was found.
2. Equity structure and shareholders' rights of the Company (1) Did the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	✓		(1)The Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation. The Company also allows shareholders to ask questions or propose properly. In addition, shareholders may instantly and frequently obtain related information on the Company via the Market Observation Post System or phone and have the right to share profits. The Company convenes the shareholders' meeting according to the Company Act and related regulations and formulates Rules and Procedures for the Shareholders' Meeting (see Meeting Handbook of 2022 Annual Shareholders' Meeting). All resolutions are made in accordance with Rules and Procedures for the Shareholders' Meeting. The resolutions made in the shareholders' meeting comply with related regulations and the Company's Articles of Incorporation. The spokesperson or deputy spokesperson is dedicated to processing shareholder proposals or disputes. The Company will seek the assistance of legal consultants if necessary.	No material gap was found.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company's stock transfer and registrar agency is Yuanta Securities Co., Ltd., which helps the Company control major shareholders and ultimate controlling shareholders. The Company regularly discloses the pledge, increase/decrease in the Company's shares, or major matters that may result in the change in shares for the supervision of shareholders.	No material gap was found.
(3) Did the Company establish and enforce risk control and	✓		(3)The Company has established rules for specific companies or groups with	No material gap

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
firewall systems with its affiliated businesses?  (4) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		related business operations and financial transactions and supervision measures for subsidiaries and disclosed related information on affiliates in accordance with regulations.  (4) The Company has set Regulations Governing Prevention of Insider Trading to prevent insider trading.	was found.  No material gap was found.
3. Composition and responsibilities of the Board of Directors: (1) Has a policy of diversity been established and implemented for the diversified composition of the Board of Directors?	✓		(1) The Company has established the Corporate Governance Best Practice Principles and the Rules for Electing Directors and Supervisors. The Rules 20 of ‘The Corporate Governance Best Practice Principles’ said: the composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards: 1. Basic requirements and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: A professional background, professional skills, and industry experience (professional skills include laws, accounting, industry, financial, sales or technology).  At present, the Company has 9 directors, of which 3 are independent directors and one of the independent directors is female. The professional background of the directors includes management, accounting, finance and experience in non-woven industries. And for the accountants, university professors, etc. Professional advice from the help of university lecturers allows us to think in a different angle thereby enhancing the company's business performance and management efficiency. The gender equality is important to the structure of the board of directors. The target of female directors is 10%. The board of directors have nine directors. There is one It's female director in the board of directors. The rate of female directors is 11%. It qualify for our target. The following is the implementation of the diversification of the directors of the Company:	No material gap is found.

Assessed items	State of operations										Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps							
	Yes	No	Summary															
			Diversified core items	Name of Director	Gender	The Company's employment	Base structure				Professional skills and industry experience							
							Age	Experience of independent directors	Management	Leadership	Industry knowledge	Accounting	Finance					
														Under 51	61 to 70	71 to 77	3 to 6 years	6 to 9 years
							Huang, Chin-San	M			V			V	V	V		
							Huang, Huo-Cun	M	V		V			V	V	V		
							Huang Tung-Rung	M			V		V				V	
							Hwang Jin-Feng	F			V		V			V		
							Huang Chun-Ping	M		V			V	V				
							Wang Chin-Hung	M		V				V				V
							Yang Rui-Hua	M	V			V			V	V		
Su, Chao-Shan	M				V			V			V							
Chung, Mao-Chih	M				V			V			V							
			<p>Remark:</p> <p>Gender: M is male, F is female.</p> <p>The policy for the diversified composition of the Board of Directors is announced on MOPS and the Company's website.</p>															
(2) In addition to Salary and Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional committees?	✓		(2) The Company has established the Remuneration Committee and Audit Committee in accordance with regulations and laws. Other operations of corporate governance are processed by responsible departments. No other functional committee is established. In the future, the Company will evaluate the necessity of establishing other committees.								No material gap is found.							

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
(3) Did the Company stipulate regulations for assessing the performance of the Board of Directors and the process of assessment? Are these performance assessments carried out regularly every year?	✓		<p>(3) To implement the corporate governance and enhance the functions of the Board of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows.</p> <ul style="list-style-type: none"> <li>• Participation in the operation of the company.</li> <li>• Improvement of the quality of the board of directors' decision making.</li> <li>• Composition and structure of the board of directors.</li> <li>• Election and continuing education of the directors.</li> <li>• Internal control.</li> </ul> <p>The criteria for evaluating the performance of the board members by themselves are listed as follows.</p> <ul style="list-style-type: none"> <li>• Familiarity with the goals and missions of the company</li> <li>• Awareness of the duties of a director</li> <li>• Participation in the operation of the company</li> <li>• Management of internal relationship and communication</li> <li>• The director's professionalism and continuing education</li> <li>• Internal control</li> </ul> <p>The Board of Directors of the Company conducts an annual internal performance evaluation and conducts an annual performance evaluation at the end of each year. It is completed and collected all information before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2021 were good and reported to the Board of Directors on March 15, 2022 and the contents were posted on the Company's website.</p>	No material gap is found.
(4) Did the Company regularly implement assessments on the independence of the CPA?	✓		<p>(4) The Company authorizes CPAs from PricewaterhouseCoopers Taiwan and has avoided matters and persons that directly or indirectly have a conflict of interest to fully adhere to fair, rigorous honesty and independence. The CPAs signed "Independent Auditors' Statement" for financial statements of ever quarter and annual report. Independent directors regularly evaluate the independence of CPAs and report the evaluation to the Board of Directors.</p>	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps																														
	Yes	No	Summary																															
			<p>The Company conducts an independent assessment of the CPA annually by the Finance Department. The company also conducts the annual assessment of Independent Accountants at the end of each year. And they are completed before the most recent Board of Directors in the following year and the latest annual report of the Board of Directors evaluation result. As a result of the assessment by the Company's Finance Department, Tzu-Shu Lin and Chung-Yu Tien, are in compliance with the Company's independent evaluation criteria. The results of the assessment of the accountants of 2021 are reported in the board meeting on March 15, 2022 and published the contents on the company's website.</p> <p>Note: CPA Independent Auditors' Evaluation List:</p> <table border="1"> <thead> <tr> <th>Evaluation List</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1. Whether the accountant has no direct or significant indirect financial relationship with the Company</td> <td>V</td> <td></td> </tr> <tr> <td>2. Whether the accountant has not provided any financing or guarantee with the Company or the directors and supervisors of the Company</td> <td>V</td> <td></td> </tr> <tr> <td>3. Whether the accountant is not considering the possibility of the loss of customers and affect the company's audit work</td> <td>V</td> <td></td> </tr> <tr> <td>4. Whether the accountant has no close business relationship and potential employment relationship with the Company?</td> <td>V</td> <td></td> </tr> <tr> <td>5. Whether the accountant has not received any fees or charges related to the audit project</td> <td>V</td> <td></td> </tr> <tr> <td>6. Whether the members of the accountants and the audit team are not currently in the company's office or in the last two years as directors and supervisors or managers who have a significant impact on the audit work</td> <td>V</td> <td></td> </tr> <tr> <td>7. The non-audit services provided by the accountant to the Company do not directly affect the important items of the audit project</td> <td>V</td> <td></td> </tr> <tr> <td>8. whether the accountant has not advertised or intermediated the shares or other securities issued by the Company</td> <td>V</td> <td></td> </tr> <tr> <td>9. Whether the accountant did not act as a defender of the</td> <td>V</td> <td></td> </tr> </tbody> </table>	Evaluation List	Yes	No	1. Whether the accountant has no direct or significant indirect financial relationship with the Company	V		2. Whether the accountant has not provided any financing or guarantee with the Company or the directors and supervisors of the Company	V		3. Whether the accountant is not considering the possibility of the loss of customers and affect the company's audit work	V		4. Whether the accountant has no close business relationship and potential employment relationship with the Company?	V		5. Whether the accountant has not received any fees or charges related to the audit project	V		6. Whether the members of the accountants and the audit team are not currently in the company's office or in the last two years as directors and supervisors or managers who have a significant impact on the audit work	V		7. The non-audit services provided by the accountant to the Company do not directly affect the important items of the audit project	V		8. whether the accountant has not advertised or intermediated the shares or other securities issued by the Company	V		9. Whether the accountant did not act as a defender of the	V		
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Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			<p>Company or on behalf of the Company in coordination with conflict of other third parties</p> <p>10. Whether the accountant has not relationship with the directors and managers of the Company or the persons who have a significant impact on the audit project</p> <p>11. The audit CPA has not served within one year as the directors, supervisors and managers of the company</p> <p>12. Whether the accountant is not part of the company's regular staff who receive fixed salary</p> <p>13. Whether the accountant has not involved in the management of the Company's decision-making process</p> <p>14. As of now the auditing report has not been changed in seven years</p> <p>15. So far, the accountant has not been punished</p>	
4. Whether the company has set up full-time/part-time units/persons for corporate governance related matters? (Including but not limited to providing the directors and supervisors to carry out the business required information, handling the matters relating to the meetings of the board of directors and the shareholders' meeting, registrations and changes in the registrations in the company, making the minutes of the board of directors and the shareholders' meeting)	✓		<p>The corporate governance is managed by the General manager's office and the finance department. The finance department manager Chuang, Chun chin is appointment of corporate governance manager by board of directors on March 6, 2019. The finance manager Chou, I Hui is appointment of corporate governance manager by board of directors on April 19, 2022. To protect the rights and interests of shareholders and Strengthen the powers of the board of directors. The manager Chou, I Hui has financial experience for listed companies over 6 years. It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:</p> <ol style="list-style-type: none"> <li>1. Handling matters relating to board meetings and shareholders meetings according to laws.</li> <li>2. Producing minutes of board meetings and shareholders meetings.</li> <li>3. Assisting in onboarding and continuous development of directors and supervisors.</li> <li>4. Furnishing information required for business execution by directors and supervisors.</li> <li>5. Assisting directors and supervisors with legal compliance.</li> </ol> <p>Implementation of corporate governance by corporate governance manager in 2019</p>	No material gap is found.



Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
			<p>is as follows.</p> <p>5. Assisting duty implementation for directors and independent directors, providing necessary information for board meeting and continuing professional education.</p> <p>(1) Updating revised law and rules for the Company operation and corporate governance related information to board of directors, and update new version irregularly.</p> <p>(2) Review security level of related information and keep communication smoothly between directors and each departments.</p> <p>(3) Independent directors follow corporate governance rules. It's necessary to assist to arrange meetings, when independent directors need to understand and discuss operation of the Company with internal auditor manager and CPA.</p> <p>(4) Assisting directors to plan and arrange annual education.</p> <p>6. Assisting directors to follow procedures and resolutions of directors meetings and shareholders' meeting.</p> <p>(1) To report corporate governance situation to board of directors, independent directors, supervisors or audit committee, confirm hold shareholders' meeting and board meetings legally and rules of corporate governance.</p> <p>(2) Assisting and reminding directors prepare the rules for resolution of board meetings.</p> <p>(3) To announce resolution of board meetings on MOPS after board meetings for investors' reference.</p> <p>7. Preparing the agenda of board meetings, noticing directors no later than before 7 days, preparing related information of board meetings, reminding interest recusal for directors before the meetings and preparing board of resolution no later than before 20 days.</p> <p>8. Booking the date of shareholders' meeting by rules, preparing meeting notice, meeting handbook, meeting minutes during legal period and announce on MOPS, application for change registration when amendment of rules or re-elect directors.</p> <p>Education of corporate governance manager in 2020.</p>	

Assessed items	State of operations						Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary				
			Education date	Organizer	Course Title	Hours	Total hours
			2021.05.07~ 2021.05.07	Taiwan Corporate Governance Association	Business Management Practise: Industry 4.0 is different with your thought.	3.0	18.0
			2021.10.18~ 2021.10.19	Accounting Research and Development Foundation	Accounting manager continuing education	12.0	
			2021.11.09~ 2021.11.19	Taiwan Corporate Governance Association	Labor Law practice.	3.0	

<p>5. Has the Company established a communication channel with stakeholders? Has a stakeholders' area been established on the Company's website? Are major corporate social responsibility (CSR) topics concerning the stakeholders addressed appropriately by the Company?</p>	<p>✓</p>	<p>The Company has setup a stakeholder area page with contact information in the company website. The corporate social responsibility issues concerning the interested parties are addressed via phone and email listed in the contact us page of our website.</p> <p>(1) Shareholders</p> <ol style="list-style-type: none"> <li>1. Call Shareholders' Meeting to Order in the second quarter every year. Voting rights for resolutions adopted at a shareholders' meeting can be performed by electronic transmission to join the meeting.</li> <li>2. The Company announced financial statements by quarter, issued Annual report and Business Report by year for investors reference.</li> <li>3. Announcement for revenue of previous month by total amount and department on TWSE website every month.</li> <li>4. Setup Investor Area on the Company's website and update new information of the Company. Announce the name, telephone number and email of investors' window on the Company's website for investors' inquiry and feedback.</li> <li>5. Attending to investor conference hosted by Taiwan or foreign securities Corp. irregularly. There are 1 times in 2021.</li> <li>6. Meetings with analysts from Taiwan or foreign by visit plant or conference call irregularly. There are 10 times in 2021.</li> </ol> <p>(2) Customers</p> <ol style="list-style-type: none"> <li>1. To visit customers irregularly and collect replying information.</li> <li>2. The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product liability insurance of NT\$50 million to enhance its corporate social responsibilities.</li> <li>3. Setup Customers Center on website to increase channel for collecting customers' request.</li> <li>4. Customers filled Customer satisfaction survey every year to upgrade product and service quality. Customers' satisfaction level is satisfied in 2021.</li> </ol> <p>(3) Suppliers Customer satisfaction survey</p> <ol style="list-style-type: none"> <li>1. Evaluation The Company follow internal control procedure and supply rules to evaluate new suppliers or major suppliers based on the quality, price, service, and speed; to build long-term partnerships. We join Sedex that is Empowering Responsible Supply Chains and FSC-CoC (Forest Stewardship Council- Chain of Custody).</li> <li>2. Management To evaluate for major suppliers and exist transactions' suppliers by quality, due date and cooperation. The Company take care the relationship of suppliers for stable cooperation. The Company emphasize environmental protection and human rights to fulfill corporate governance in the supply chain.</li> </ol>	<p>No material gap is found.</p>
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Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			(4) Employees The Company attaches great importance to employee benefits and arrange activities that promote employees' health, such as gatherings. The Company setup Employees area and connection window on the Company's website. Providing the service phone number and email address for employees.	
6. Has the Company delegated a professional shareholder services agent to handle the shareholders' meeting?	✓		The Company authorizes Stock Transfer and Registrar Department, Yuanta Securities Co., Ltd. to process the stock transfer and registrar services in accordance with Regulations Governing Handling of Stock Affairs.	No material gap is found.
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance? (2) Did the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	✓  ✓		The Company has set up a website ( <a href="http://www.nanliugroup.com">http://www.nanliugroup.com</a> , including a Chinese version and English version), which is connected to the Market Observation Post System. On the website, the Investor Area discloses the Company's finances and corporate governance from time to time. To improve the transparency of the disclosure of information, the Company has set up the sound spokesperson system and a public information system to allow shareholders and stakeholders to fully understand the Company's finances and corporate governance.	No material gap is found.  No material gap is found.
8. Did the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	✓		(1) Interests and rights of employees, care for employees. Please refer to Employer/employee relationship of the Annual report. (2) Relation with investors. The company have good communication with investors. It's including of announcement of finance information, to attend investor conference hosted by Securities for communication with investors and provide investors' opinions to the Company management level. The company will keep good communication with investors. Please refer related information to investor area on website. (3) Relation with suppliers and relation with interested parties. Please refer to Investor area and Stakeholder area on website. (4) Continuing education of directors and supervisors. Please refer continuing education of directors and supervisors in 2021 on MOPS (Market Observation Post System - Corporate Governance) website. The	No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
			<p>company follow the related rules.</p> <p>(5) Execution of risk management policies and risk measuring standards. Please refer to Risk of the Annual report.</p> <p>(6) Execution of customer policies. Please refer to Production and Sales Status of the Annual report.</p> <p>(7) Liability insurance for the Company's directors and supervisors. Liability insurance has been covered for directors and supervisors. The reports of the Liability insurance such as the insured amount, the coverage scope and the insurance rate for the year of the 2022 has been report to the Board of Directors on March 15, 2022.</p>	
<p>9. Please describe the improvement of the result of Corporate Governance Evaluation System by the Corporate Governance Center of the Taiwan Stock Exchange announced in the last year. (The evaluation results which were not included in the assessment did not need to be listed)</p> <p>The scores of the Company's Corporate Governance evaluation in 2021 are in the block of 36% to 50% of all evaluated companies. The following will be the improvement plans of the Company:</p> <ul style="list-style-type: none"> <li>➤ To upload annual report before 16 days of shareholders' meeting date on MOPS. The Company will improve it.</li> <li>➤ The rule and processing that prohibiting directors and employees use internal information to get benefit. The Company will improve it.</li> <li>➤ To announce amount and properties of non-audit fees that paid to CPA firm or its subsidiaries. The Company will improve it.</li> </ul>				

(5) The formation, responsibility, and operation of the Salary and Remuneration Committee:

<1> Information on the members of the Salary and Remuneration Committee

Identity (Note 1)	Name	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note 2)								Number of salary and remuneration committee memberships concurrently held in other public companies	Remarks (Note 3)	
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	1	2	3	4	5	6	7	8			
Independent Director	Huang, Tung-Rong		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Huang, Jin-Feng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	Huang Chun-Ping	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	

Note 1: For identity, please annotate whether the person is a director, independent director, or other.

Note 2: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the ✓ sign in the field next to the corresponding condition(s).

- (1) Not employed by the Company or an affiliated business.
- (2) Not a director or supervisor of the Company or an affiliated business. This does not apply in cases where the person is an independent director of the Company, its parent company, or a subsidiary where the Company holds, directly and indirectly, more than 50% of the voting shares.
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the 3 preceding items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated business, or spouse thereof.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

<2> Operations of the Salary and Remuneration Committee

(1) The Company has a Remuneration Committee composed of 3 members.

(2) The duration of the current term of service is from May 29, 2019 to May 28, 2022. In the recent year, a total of two Remuneration Committee meetings (A) were held. The following lists member qualifications and presence at these meetings:

Job Title	Name	Actual presence (B)	Delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Committee chair	Huang Tung- Rung	2	—	100%	
Member	Huang Chun- Ping	2	—	100%	
Member	Huang Jin- Feng	2	—	100%	
The term/date of Remuneration Committee meetings	The content of proposal and follow up		Meetings' resolution	Follow-up of Remuneration Committee opinions by the Company	
The third term, the fifth times Remuneration Committee meetings 2021.5.7	Discussion of distribution of the 2020 Compensation of Employees, Directors and Supervisors proposed by Remuneration Committee		All members of Remuneration Committee meetings agreed.	Proposal board meeting by Remuneration Committee meetings and all directors agreed.	
The fourth term, the first times Remuneration Committee meetings 2021.12.22	1. Bonus distribution rules of the Company and distribution amount of managers. 2. The salary structure and payment amount of managers in 2022. 3. 2021 Compensation of Employees and 2021 Compensation of Directors.		All members of Remuneration Committee meetings agreed.	Proposal board meeting by Remuneration Committee meetings and all directors agreed.	
Other items that shall be recorded:					
1. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, results of meeting resolutions, and the Company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.					
2. Where resolutions of the Salary and Remuneration Committee include a dissenting or qualified opinion that is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.					

(6) Performance of sustainable development:

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes						
	Yes	No								
1. Has the Company established an exclusively (or concurrently) dedicated unit for promoting sustainable development? Is the unit empowered by the Board of Directors to implement sustainable development activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?	✓		The company has established an exclusively (or concurrently) dedicated unit for promoting CSR: General Manager's Office. The General Manager's Office's duty include stipulated sustainable development policies and systems, management rules, implement plan. The related department managers have responsibility for implement. And they are completed before the most recent Board of Directors in the following year.	No material gap is found.						
2. Does the Company implement risk evaluation of environment, society, corporate governance by materiality principle, and stipulated risk management systems or policies?	✓		<p>(1) The Company has stipulated corporate social responsibility policies and implement related risk evaluation by materiality principle. Base on risk after evaluation, stipulated risk management systems or policies is as follows.</p> <table border="1"> <thead> <tr> <th>Major issues</th> <th>Risk evaluation item</th> <th>Risk management systems or policies</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environment protection and ecological conservation</td> <td>The Company has passed ISO 14001:2015 Environmental management systems certification and joined FSC-Coc(Forest Stewardship Council- Chain of Custody). The Company implement environment protection and stipulated environment management guide. The development of environmental management manual, follows the "plan, Do, Check and action" (PDCA) concept for the establishment and maintenance of environmental management system in order to control and achieve continual improvement of processes and products. The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with</td> </tr> </tbody> </table>	Major issues	Risk evaluation item	Risk management systems or policies	Environment	Environment protection and ecological conservation	The Company has passed ISO 14001:2015 Environmental management systems certification and joined FSC-Coc(Forest Stewardship Council- Chain of Custody). The Company implement environment protection and stipulated environment management guide. The development of environmental management manual, follows the "plan, Do, Check and action" (PDCA) concept for the establishment and maintenance of environmental management system in order to control and achieve continual improvement of processes and products. The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with	No material gap is found.
Major issues	Risk evaluation item	Risk management systems or policies								
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Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes												
	Yes	No	Summary													
			<table border="1"> <tr> <td></td> <td></td> <td>responsible personnel to maintain a clean environment.</td> </tr> <tr> <td>Society</td> <td>1.Occupational safety</td> <td>The company has passed ISO 45001:2018 Occupational Health and Safety Management Systems certification. To satisfy regulations request, decrease harm risk, training strongly, improve continually. The Company implement training to follow statutory provisions, make occupational safety training plan and implement related training regularly or unregularly.</td> </tr> <tr> <td></td> <td>2.Product safety</td> <td>The company has passed ISO 9001:2015 quality management system certification, ISO 13485:2016 Medical devices quality management system certification, ISO 22716:2007 Cosmetics quality management system certification, The Global Organic Textile Standard certification. The Company is compliant with relevant laws and international laws governing the marketing and labeling of its products and services.</td> </tr> <tr> <td>Corporate governance</td> <td>Society economy and compliance</td> <td>To establish corporate governance organization and implement internal control system, satisfy to follow related law.</td> </tr> </table>			responsible personnel to maintain a clean environment.	Society	1.Occupational safety	The company has passed ISO 45001:2018 Occupational Health and Safety Management Systems certification. To satisfy regulations request, decrease harm risk, training strongly, improve continually. The Company implement training to follow statutory provisions, make occupational safety training plan and implement related training regularly or unregularly.		2.Product safety	The company has passed ISO 9001:2015 quality management system certification, ISO 13485:2016 Medical devices quality management system certification, ISO 22716:2007 Cosmetics quality management system certification, The Global Organic Textile Standard certification. The Company is compliant with relevant laws and international laws governing the marketing and labeling of its products and services.	Corporate governance	Society economy and compliance	To establish corporate governance organization and implement internal control system, satisfy to follow related law.	
		responsible personnel to maintain a clean environment.														
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Corporate governance	Society economy and compliance	To establish corporate governance organization and implement internal control system, satisfy to follow related law.														
<p>3. Environment issue.</p> <p>(1)Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?</p>	✓		<p>(1)The president establish environment policy for customers' expectation. When the environment change, the president will amend and announce it. The president have to make sure the environment policy to satisfy the Company's target, satisfy environment management system need, provide the structure of establishing and reviewing environment target, communicate to each level of the Company. To make each level employees can understand and implement. To request each departments to strengthen procedure effectiveness, upgrade customers' satisfaction. Then the Company can provide best products to customers.</p> <p>The company has passed ISO 14001: 2015, International environmental management system certification and ISO 45001:2018 Occupational Health and</p>	No material gap is found.												

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No		
(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓		<p>Safety Management Systems certification. The development of environmental management manual, follows the "plan, Do, Check and action" (PDCA) concept for the establishment and maintenance of environmental management system in order to control and achieve continual improvement of processes and products.</p> <p>The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with responsible personnel to maintain a clean environment.</p> <p>(2)The Company has promoted the recycling of waste pallets which are used to stack goods and the recycling of wet wipes. In particular, with the installation of water recycling system and the reuse of water, there was a significant reduction in the amount of water used. The factory processes wastewater using the process of reverse osmosis to achieve a certain water quality standards. Parts of recycling water are reused for production lines. Others is then widely used in toilets and watering greeneries in the company. The decrease in water consumption from the year 2014 to 2017 was around 90%. Also in 2022, the company will continue to maintain this performance standard. In terms of waste reduction, the target will be achieved by, reducing the use of non-renewable resources, making good use of resources and energy, limiting the generation of waste to the maximum possible when design products, and classifying the recyclable wastes. For 2022, the target for the reduction in the waste products is 10%.</p>	No material gap is found.
(3)Does the Company evaluate with changes to the global climate and how it may affect now and future risk and opportunity, and countermeasures of related climate issue?	✓		<p>(3) The World bank announced a report in 2012, a football field size forest lost for every two seconds. That is a heavy threaten thing for environment. WWF said, felling forest make temperature to rise and that is the major reason of climate changes. The company has passed FSC-COC 2017(Chain of Custody) certification, to use raw materials from verified forest to reduce the impact on the environment. FSC chain of custody certification verifies that FSC-certified material has been identified and separated from non-certified and non-controlled material. And to exclude illegally</p>	No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No		
(4) Does the Company computed greenhouse gas emissions, water consumption, the total weight of waste for last two years, stipulated strategies for reducing energy consumption, greenhouse gas emissions, water consumption, others waste emissions?	✓		<p>harvested timber, genetically modified timber, breach of trading or public power forest.</p> <p>(4) The Company has formulated the "Low Carbon Policy" as a guide for future carbon reduction projects. This includes optimization of energy efficiency and installing solar panels. In 2016, the company started to install photovoltaic equipment for energy saving and carbon reduction. In 2017, the company began to use energy efficient motors and gradually dispose of some existing high-power motors. For decreasing greenhouse gas emissions, strengthen energy control. The office and meeting room should keep suitable temperature setting (use air conditioner when temperature over 30 degree). It should adjust or close air conditioner when members decrease. The office and work area should keep strainer of air conditioner clean and update it regularly for reducing electricity fee. It should keep enough light in working area and close the electricity switch when no one in working area. The Company has installed energy-saving light bulbs and reduced the number of light tubes. For 2022, the target for annual energy saving is 5%.</p> <p>To save water and energy consumption, the factory processes wastewater using the process of reverse osmosis to achieve a certain water quality standards. Parts of recycling water are reused for production lines. Others is then widely used in toilets and watering greeneries in the company.</p> <p>The cooling tower should maintain regularly to keep pipelines smoothly, no blocking, no water leaking. If the toilet tanks leak, should notice the maintainer to fix it. The Company has installed water-saving devices.</p>	No material gap is found.
<p>4. Society issue.</p> <p>(1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?</p>	✓		<p>(1) The company has referred to Labor Standards Act and international human rights instruments, such as gender equality, rights of employment, and prohibition of discrimination, to stipulate relevant management policies and procedures. In addition, the Company has established the Employee Welfare Committee to supervise and protect employees' interest. The Company also encourages employees to participate in activities held by the Employees' Welfare Committee and grants employees bonuses and gifts during folk festivals.</p>	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
(2) Has the Company established and implement an employee welfare measures (include salary, leave and other welfare), and the Company's business performance reflect on employees' salary?	✓		(2) The Company established and implement an employee welfare measures, include salary, leave, training and retirement system. The Company's business performance reflect on employees' salary already. The article 20 of 'Articles of Incorporation' said as follows. If the Company makes a profit, over 1% shall be set aside as compensation for employees, and less than 2% as compensation for directors and supervisors. However, the Company's accumulated losses shall first have been covered. Employees may be compensated in shares or in cash. Employees who qualify for compensation may include those of the Company's subsidiaries who meet specific criteria.	No material gap is found.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(3) The company has passed ISO 45001:2018 International Organization for Standardization and Safety Management Systems certification and ISO 14001:2015 international environmental management system certification, in order to prevent occupational hazards and to ensure labor safety and health. Also, to ensure that safety and health matters comply with the relevant laws and regulations in order to reduce the loss of life and property. The Company has formulated the "Safety and Health Management Procedures" in accordance with the relevant laws and regulations on labor safety and health, labor safety and health organization management and self-inspection measures. Our company employees, contractors, third-party manufacturers and suppliers who carry out operational activities in factories. The company held regularly safety and health education training for disaster prevention during working period.	No material gap is found.
(4) Has the Company established an effective competency development career training program for employees?	✓		(4)The Company holds internal training programs and expatriate professional training programs from time to time to cultivate employees' competencies and strengths. The training programs for employees are described below.	No material gap is found.
(5) Is the Company compliant with relevant laws and international laws governing, and the customers' health, safe, customers' privacy, marketing and labeling of its products and services?	✓		(5) The company has passed ISO 9001:2015 quality management system certification, ISO 13485:2016 Medical devices quality management system certification, ISO 22716:2007 Cosmetics quality management system certification. The Company is compliant with relevant laws and international laws governing, and the customers' health, safe, customers' privacy, marketing and labeling of its products and services. The Company follows the related laws and regulations governing its business operations.	No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No		
(6) Does the Company establish suppliers' management system and request suppliers follow related rules and implement situation for Environmental protection, Occupational safety and health or labor rights?	✓		The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product liability insurance of NT\$50 million to enhance its corporate social responsibilities. (6) The Company obtain Suppliers Ethical Data Exchange (SEDEX) certification, and evaluates new and existing suppliers based on the quality, price, service, and speed; to build long-term partnerships, the Company will emphasize environmental protection and human rights to fulfill corporate governance in the supply chain.	No material gap is found.
5. Does the Company prepare CSR report to expose non-financial information by referring global used report rules and format? Does the CSR report obtain the third party certification?		✓	Information relating to CSR is disclosed on the Company's website and the prospectus. The Company will evaluate to prepare CSR report to expose non-financial information by referring global used report rules and format.	
<p>6. If the Company makes its own corporate social responsibilities according to the rule of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the implement and differences:</p> <p>The Company has formulated "Codes of Corporate Social Responsibility" and follow in the future. Regularly to help the surrounding schools, public interest groups and vulnerable groups (living alone old men or old women, single-parent families, emergency relief).</p> <p>In order to contribute to the society, the chairman has set up private Nan liu Charity Foundation, with full-time staff of an Executive Secretary, Executive Officer and volunteers, directly dedicated to assist the elderly living alone and single-parent family in emergency and other related matters. The current plan to set up a central kitchen, to provide meal to living alone old men or old women.</p>				
<p>7. Other important information for better understanding of corporate social responsibilities (such as the Company's systems and measures and the implementation of environmental protection, social engagement, social contribution, social service, social charity, customer interest, human rights, safety and health, and other CSR activities):</p> <p>(1) Business Performance To fulfill the corporate governance, the Company has established the effective internal control system and independent directors to improve the practical experience of the management team. Also, the Company has stipulated Rules and Procedures for the Shareholders' Meeting to strengthen the competency of the Board of Directors. To secure shareholders' equity and improve the transparency of the disclosure of information, the Company has the spokesperson and deputy spokesperson responsible for the instant disclosure of important information and arranges responsible personnel to communicate with shareholders.</p> <p>(2) Environmental Protection The company has passed ISO 14001:2015 international environmental management system certification and ISO 45001:2018 Occupational Health and Safety Management Systems certification. The Company has formulated the "Environment Management Procedures" and established a recycling system to reduce the impact of disposal of waste on human bodies and the environment and has been committed to maintain the environment in accordance with related regulations and standards and achieve a GMP-certified production environment</p>				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
<p>and management. In addition, the Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; General Affairs Division works with responsible personnel to maintain a clean environment. To save water and energy consumption, the Company has installed water-saving devices, except faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees.</p> <p>(3) Employee Interest and Care</p> <p>The Company has passed ISO 45001:2018 International Organization for Standardization. Consistently upholding stable and sustainable operation, the Company attaches great importance to employee benefits by allocating monthly benefits and arranging activities that promote employees' health, such as gatherings, an annual health examination, wedding and funeral allowances, group insurance, and casualty insurance. In addition, the Company has stipulated regulations governing retirement and set up a Supervisory Committee of Business Entities' Labor Retirement Reserve according to the Labor Standards Act to allocate a labor retirement reserve based on a certain percentage of monthly salary to a pension account at the Bank of Taiwan. According to Labor Pension Act, starting from July 1, 2005, the amount of labor pension borne by the employer shall not be less than six percent of the worker's monthly wage. The labor pension shall be calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis. The regulations of and measures for the labor relations formulated by the Company are well implemented in accordance with applicable laws. In addition, the Company held the following training programs to improve employees' competency and strengths in 2020.</p> <p>&lt;1&gt; Occupational Safety and Health has 116 person-time, 387 hours.</p> <p>&lt;2&gt; Management has 14 person-time, 75 hours.</p> <p>&lt;3&gt; Professional training has 293 person-time, 167 hours.</p> <p>&lt;4&gt; Continue education has 15 person-time, 53 hours.</p> <p>&lt;5&gt; Ethical Corporate Management has 38 person-time, 52 hours.</p> <p>&lt;6&gt; Risk Management has 37 person-time, 3 hours.</p> <p>&lt;7&gt; R &amp; D has 80 person-time, 42 hours.</p> <p>(4) Investor Relations</p> <p>According to the Company Act and related regulations, the Company holds an annual shareholders' meeting and notifies shareholders of the meeting; the Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation; the Company reports material finances, including the disposal of assets and endorsements and guarantees, to the shareholders' meeting. The Company also allows shareholders to ask questions or propose properly, records the shareholder's meeting minutes, and discloses related information on the Market Observation Post System. In addition, to ensure that shareholders fully understand and participate in the determination of the Company's major matters, the Company will provide an annual report for the stock transfer and registrar agency prior to the annual shareholders' meeting and have the spokesperson and deputy spokesperson deal with the recommendations, doubts, and disputes related to shareholders.</p> <p>Since listed in the emerging stock market on May 7, 2013, the Company has disclosed related information in accordance with the Taiwan Stock Exchange Guidelines for Stock Review and appointed responsible personnel from the Department of Finance, Audit Office and Accounting Division to collect and disclose information online that may affect</p>				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
investors' decisions upon the review and approval of responsible supervisors.				
(5) Stakeholders' Interest				
The Company has set up smooth communication channels with banks and other creditors, employees, customers, and suppliers and values and maintains their legitimate rights and interests.				
1. The Company provides sufficient information for banks to make the best judgment and decision on the Company's operations and finances.				
2. The Company has established the Employees' Welfare Committee and regularly holds labor conferences, where representatives from both the Company and labor participate, to take care of employees and maintain a smooth communication channel between both parties.				
3. The Company appoints responsible personnel to deal with suppliers. No arrears or late payments exist so far. The Company regularly discloses the related information on finances on the Market Observation Post System and maintains good relations with suppliers.				
4. The Company has the spokesperson and deputy spokesperson to communicate with stakeholders.				
(6) The Company has engaged in communities and charities through commercial activities, in-kind donations, volunteer service or other gratuitous professional services.				
1. The Company has actively participated in community and artistic activities through contributions to social welfare and artistic performances.				
2. Contributions:				
(1) The Company made the following donations to the government and local groups from time to time:				
A. Donated NT\$3,000 thousand to Yanchao, Tianliao District district community people with food and clothes to keep warm activities.				
B. Donated NT\$220 thousand to National Kaohsiung University of Science and, Yanchao junior high school activities.				
C. Donated NT\$300 thousand to community activities.				
D. Donated NT\$450 thousand to disadvantaged people support funds.				
E. Donated NT\$2,310 thousand to cultural, artistic, and sports activities.				
F. Donated NT\$7,830 thousand to cultural and educational foundations.				
G. Donated masks and wet wipes NT\$880 thousand to COVID-19 protection activities.				
(2) In order to contribute to the society, the chairman and his brother have set up private Nan liu Charity Foundation and Southern charitable trust, with gratuitous volunteers, directly dedicated to provide meal to the elderly living alone and assist single-parent family in emergency and other related matters. Foundation donated unregularly to the society and local community as follows.				
A. Donated NT\$3,560 thousand for welfare fee and providing meal to the community elderly.				
B. Donated NT\$1,980 thousand to assist poor family and disability.				
C. Donated NT\$4,140 thousand to government charitable activities.				
D. Donated NT\$8,250 thousand to Civil charitable activities.				
E. Donated NT\$990 thousand to society activities.				

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No		
<p>F. Donated NT\$700 thousand to Religious group activities.</p> <p>H. Donated NT\$4,200 thousand to others social welfare activities.</p> <p>(4) Promoted industry–academia cooperation with colleges and universities, including the development of multifunction composite diaphragms and packaging technologies with National Kaohsiung University of Applied Sciences, industry–academia cooperation with Cheng Shiu University, talent incubation programs with Feng Chia University, on-the-job training programs with Shih Chien University, and academia cooperation with Fortune Institute of Technology.</p> <p>3. The Company processed waste in accordance with the Industrial Waste Disposal Plan and reported the flow of waste online according to applicable laws and regulations.</p>				
7. Any review standards of certification bodies for which the Company’s CSR report has been qualified shall be described: None.				



(7) Implementation of Integrity Management:

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
<p>1. Stipulating policies and plans for ethical corporate management</p> <p>(1) Does the Company established clearly indicated policies and activities that approved by Board of Directors, related to ethical corporate management in its bylaws and external documents, and are the Company’s directors and management actively fulfilling their commitment to corporate policies?</p> <p>(2) Does the Company established e dishonesty evaluation system, analysis regularly, evaluate business activities with a higher dishonesty activities risk and preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE Listed?</p> <p>(3)Has the Company stipulated a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within said plan? Is the plan implemented accordingly?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has formulated “Codes of Ethical Conduct of Supervisors, and Managerial Officers”, and “Codes of Ethical Corporate Management” which is fully understood and followed by the Board of Directors and the management.</p> <p>(2) The Company use fair and honesty for business. Before the business, consider the legitimacy and credibility of the entity and prevent to do business with dishonesty company. Always to follow the credibility of the entity. According to Code of Ethics for Directors, Supervisors, and Managerial Officers, if directors or managerial officers violate the code of ethics, the Company will punish them based on the disciplinary measures. In addition, the Company will emphasize in the annual meeting and managerial meetings that integrity is the foundation of the Company's business philosophy. For preventing dishonesty activities, the Company established “Rules of reporting illegal and immoral or dishonest case”.</p> <p>(3) The Company has formulated “Rules of reporting illegal and immoral or dishonest case” and established internal and external reporting channels and handling systems to ensure a sustainable development. Also, the Company has established an effective accounting system and internal control system and reviewed and revised them from time to time to keep the systems sustained and effective.</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>
<p>2. Implementing ethical corporate management</p> <p>(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?</p> <p>(2) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the Board of Directors? Does said unit regularly (at least one time for yearly) report to the Board of Directors on the state of its activities?</p> <p>(3) Has the Company established policies preventing conflicts of</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company evaluated the legality, reputation and credit of major clients and suppliers before doing business with them to avoid acts of bad faith.</p> <p>(2) The Office of Chairman is the dedicated unit for promoting the corporate integrity operation; the Audit Office is responsible to supervise, audit, and report on the integrity operation to supervisors and the Board of Directors.</p> <p>(3) The Rules and Procedures for the Board Meeting stipulate the avoidance of conflicts of interest between directors. When discussing a proposal in the Board</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
<p>interest, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits for evaluation of dishonesty risk and make audit plan to audit dishonesty situation that carried out by the Company's internal audit unit or commissioned to a CPA?</p> <p>(5) Does the Company regularly organize internal and external training for ethical corporate management?</p>	<p>✓</p> <p>✓</p>		<p>meeting, directors involved in the conflict of interest shall avoid participating in the resolution. The Company has set up a smooth channel for employees to directly complain or make appeals through immediate supervisors.</p> <p>(4) The Company has established an effective accounting system and internal control system and reviewed and revised them from time to time; the Company also has full-time auditors to audit the accounting system and internal control system on a regular basis, provide opinions for improvements to keep the systems sustained and effective, and submit the audit report to supervisors and the Board of Directors. The audit office evaluate to make audit plan to audit dishonesty situation for prevention dishonesty activities.</p> <p>(5) The Company promotes integrity in operation to employees on a regular basis. The ethical corporate education majorly is including of Anti-Money Laundering, risk analysis of Major financial fraud, whistle-blower protection fraud prevention in 2020.</p>	<p>No material gap is found.</p> <p>No material gap is found.</p>
<p>3. Status for enforcing whistleblowing systems in the Company</p> <p>(1) Has the Company established concrete whistleblowing and reward systems and accessible whistleblowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistleblower?</p> <p>(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistleblower?</p> <p>(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistleblower?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established a reporting mail system and appointed a responsible department to deal with complaints in accordance with related regulations and procedures.</p> <p>(2) The Company clearly defined in the Regulations Governing the Procedures of Communication and Responses that responsible personnel shall hold the identity of the informant confidential.</p> <p>(3) The Company will hold the informant confidential and harmless in the process of reporting.</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>
<p>4. Improvement of information disclosure</p> <p>(1) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System (MOPS)?</p>	<p>✓</p>		<p>The Company has set up an exclusive area to disclose the related information on the Company's integrity operation.</p>	<p>The Company will process the information on a timely basis, subject to the actual needs.</p>

Items assessed	State of operations		Summary	Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
5. Where the company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: No material gap is found.				
6. Other important information for better understanding of the integrity operation: None.				

(8) If the Company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed.

Currently, the Company has stipulated a Code of Ethics for Directors, Supervisors, and Managerial Officers, Rules and Procedures for the Shareholders' Meeting, Rules and Procedures for the Board Meeting, a scope of responsibilities of independent directors, and a sound internal control system and internal audit system to fulfill the operation and promotion of corporate governance. For related regulations and systems, please refer to the Company's website and external websites.

(9) Other Important Corporate Governance Information: None.

(10) Implementation of Internal Control System

1. Statement of Internal Controls:

NAN LIU ENTERPRISE CO., LTD.  
Statement of Internal Control System

Date: March 15, 2022

The internal control system from January 1 to December 31, 2021, according to the result of self-assessment is stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and asset protection), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal Control System by Listed Companies” (hereinafter referred to as “Highlights” has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments, 3. Control activities, 4. Information and communication, 5. Monitoring. Each element also includes several items. For the foregoing items, refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure that the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 15, 2022, and those 9 directors in presence all agree at the contents of this statement.

NAN LIU ENTERPRISE CO., LTD.

Chairman: Mr. Huang Chin-San  
General Manager: Mr. Huang Chin-San

*Notice to Readers*

*For the convenience of readers, the Supervisors' Review Report have been translated into English from the original Chinese version prepared. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language Supervisors' Review Report shall prevail.*

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: Not applicable.

(11) Any legal penalty enacted upon The Company and its personnel, or any penalty, major defects, and state of improvements enacted by The Company upon its personnel for violating the rules of the ICS during the most recent year up to the publication date of this report: None.

(12) Major resolutions of the shareholders' meeting and the Board meeting in the most recent year up to the publication date of this report

## 2021 Major Resolutions of Shareholders' Meeting and Implementation Status

1. Approved 2020 Financial Statements and Business Report.

Implementation Status: In accordance with the company law, all related financial information has been submitted to the government agency for review

2. Approved the Proposal for the Distribution of the 2020 Profit.

Implementation Status: Approved ex-dividend date was on September 16, 2021 and distributed on October 13, 2021.

3. Amendments of Parts of the Articles of Incorporation.

Implementation Status: The Company already registered the amendment to the Ministry of Economic Affairs on July 30, 2021 and announced on the company website.

4. Amendments of Procedure for Election of Directors.

Implementation Status: Announced on MOPS and the company website.

5. Amendments of the Rules for Procedure for Shareholders Meetings

Implementation Status: Announced on MOPS and the company website.

## 2021 major resolutions of the Board of Directors meetings

Session number of the Board of Directors meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first time in 2021, The Board of Directors	2021.03.10	1. Distribution of the 2020 Compensation of Employees, Directors and Supervisors.	V	
		2. Approved 2020 Financial Statements and the Business Report.		
		3. Approved 2020 Dividend Distribution.		
		4. Approved issuance of 2020 Internal Control Letter.		
		5. Amendments to Parts of 'Procedure of subsidiaries for financial', 'Rules of Procedure for Shareholders Meetings', 'Procedure for Election of Directors', 'Guidelines for the Adoption of Codes of Ethical Conduct', 'Rules of independent directors' duty', 'Regulations for evaluation of Board of Directors Meetings .	V	
		6. Amendments to Parts of 'Articles of Incorporation'.	V	
		7. Approved the convening of the 2020 Shareholders' Meeting	V	
		8. Approved the application of comprehensive credit lines.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The second time in	2021.05.07	1. Approved the 2020 Q1 Financial Statements.		
		2. Approved investment of NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED.	V	

2021, The Board of Directors		3. Approved the application of comprehensive credit lines and loan guarantee for subsidiaries	V	
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The third time in 2021, The Board of Directors	2021.07.02	1. Approved the date and address of 2021 Annual Shareholders' Meeting.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The fourth time in 2021, The Board of Directors	2021.08.10	1. Approved 2Q 2021 Financial Statements.		
		2. Approved the record date for common share dividend.		
		3. Approved capital increase through issuance of common shares.	V	
		4. Approved loan guarantee for subsidiaries.	V	
		5. Approved the application of comprehensive credit lines.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The fifth time in 2021, The Board of Director	2021.11.09	1. Approved 3Q 2021 Financial Statements.		
		2. Approved the application of comprehensive credit lines..		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The sixth time in 2021, The Board of Directors	2021.12.22	1. Approved 2022 annual business plan.		
		2. Approved 2022 annual audit plan.		
		3. Approved Accounting officer and Financial officer.	V	
		4. Approved the application of comprehensive credit lines.		
		5. Approved 2022 Compensation of managers, 2021 Bonus distribution of managers, 2021 Compensation of Employees, 2021 Compensation of Directors and Supervisors by Remuneration committee.	V	
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		

### 2022 major resolutions of the Board of Directors meetings

Session number of the Board meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first time in 2022, The Board of Directors	2022.03.15	1. Distribution of the 2021 Compensation of Employees and Directors.	V	
		2. Approved 2021 Financial Statements and the Business Report.		
		3. Approved 2021 Dividend Distribution.		
		4. Approved issuance of 2021 Internal Control Letter.		
		5. Amendments to Parts of 'Articles of Incorporation'.	V	

		6. Amendments to Parts of 'Rules of Procedure for Shareholders Meetings'.	V	
		7. Amendments to Parts of 'Regulations Governing the Acquisition and Disposal of Assets'.	V	
		8. Approved the convening of the 2022 Shareholders' Meeting.		
		9. Approved accepting that nominate candidates of directors and independent directors by shareholders of 2022 Shareholders' Meeting.		
		10. Approved evaluation of eligibility and independence for auditors.		
		11. Approved recruitment of general manager.	V	
		12. Approved the application of comprehensive credit lines.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The second time in 2022, The Board of Directors	2022.04.19	1. Approved candidate nomination of directors and independent directors.		
		2. Approved appointment of corporate governance manager.		
		3. Amendments to Parts of 'Articles of Incorporation'.	V	
		4. Approved loan guarantee for subsidiaries.	V	
		5. Approved the application of comprehensive credit lines.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The third time in 2022, The Board of Directors	2022.05.12	1. Approved 1Q 2022 Financial Statements.		
		2. Approved distribution amount of Remuneration to major managers and Directors in 2021.	V	
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		

(12) As of the printing date of annual report, Directors or supervisors have different opinions that have been noted on the record or declared in writing in connection with the important resolutions passed by the Board of Directors: None.

(13) As of the printing date of annual report, dismissal situation of Chairman, General manager, Accounting manager, Finance manager, Auditor officer and RD manager: None.

#### 4. Accounting Expenses

Name of the accounting firm	Name of the CPA		Audit period	Notes
PricewaterhouseCoopers Taiwan	Tzu-Shu Lin	Chung-Yu Tien	January 1, 2021 ~ December 31, 2021	

Unit: NT\$1,000

Name of the accounting firm	Name of the CPA	Accounting charge	Non-accounting charge					Audit period	Remarks
			System design	Business registrations	Human Resources	Others	Total		
PricewaterhouseCoopers Taiwan	Tzu-Shu Lin	4,030	--	--	--	200	200	January 1, 2021~ December 31, 2021	Transfer pricing report
	Chung-Yu Tien								

- (1) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated company accounts for over 1/4 to audit fee: None.
- (2) Change of the CPA firm and the audit fee in the year of change is less than that in the previous year: None.
- (3) The audit fee is reduced by over 15% compared with the previous year: None.
- (4) Assessments on the Independence of CPA: refer to page 32~33.

The Company assesses the independence of the CPA as follows and reports the result to the Board of Directors:

- A. Statement of independence of CPA.
- B. The audit or non-audit service provided by CPAs shall be reviewed in advance to ensure that the non-audit service will not affect the result of the audit.
- C. The same CPA has not consecutively provided the assurance service for more than 5 years.
- D. An annual questionnaire about the competency of the CPA will be conducted to summarize the assessment of independence of the CPA.



**5. Alternation of CPA: None.**

6. The Company's Chairman, General Manager, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.
7. Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report.

Changes to the equity of directors, supervisors, managerial officers, and major shareholders

April 1, 2022, Unit: Share

Title	Name	2020		As of March 29, 2021	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-San	—	—	—	—
Director Major shareholder	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-Cun	—	—	—	—
Independent Director	Huang Tung-Rong	—	—	—	—
Independent Director	Huang Jin-Feng	—	—	—	—
Independent Director	Huang Chun-Ping	—	—	—	—
Director	Wang Chin-Hung	—	—	—	—
Director. Vice President	Yang Rui-Hua	—	—	—	—
Director	Su Chao-Shan	—	—	—	—
Director	Chung, Mao-Chih	—	—	—	—
General Manager	Chia Nan Wang	—	—	—	—
Vice President	Chang, San-Hua	—	—	—	—
Finance Manager	Chuang, Chun-chin	—	—	—	—
Audit Officer	Chen, Shu-chiu	—	—	—	—

(1) Information on equity transfer: None.

(2) Information on equity pledge: None.

**8. Information on relationships among the top ten shareholders:**

Name (Note 1)	Shares held by the shareholder		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship. (Note 3)		Remarks
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Name (or name)	Relations	
Tian Zi Ding Investments Co., Ltd. Representative: Huang, Ho-Chun	8,731,659	12.03%	—	—	—	—	—	—	—
	1,505,015	2.07%	—	—	—	—	Huang Chin-San Lin, Hui-Tzu	Brother Father in law	—
NeiZhuang Investment Co., Ltd. Representative: Huang, Shih-Chung	5,998,924	8.26%	—	—	—	—	—	—	—
	1,709,228	2.35%	—	—	—	—	Huang Chin-San Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	—

Huang, Chin-San	5,288,978	7.29%	1,851,159	2.55%	—	—	Huang, Ho-Chun Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Brother Spouse Adult children Adult children Adult children	—
Bixiu Investment Ltd.	5,090,929	7.01%	—	—	—	—	—	—	—
Representative: Huang, Chin-San	5,288,978	7.29%	—	—	—	—	Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	—
Chun-I Investment Ltd.	3,644,000	5.02%	—	—	—	—	—	—	—
Representative: Huang, Jen-Tsung	1,748,618	2.41%	—	—	—	—	Huang, Ho-Chun Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	—
Southern Charitable Trust	2,200,000	3.03%	—	—	—	—	—	—	—
Huang Hsieh, Mei-yun	1,851,159	2.55%	5,288,978	7.29%	—	—	Huang, Shih-Chun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	—
Huang, Jen-tsung	1,748,618	2.41%	313,596	0.43%	—	—	Huang Chin-San Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	—
Huang, Shih-chung	1,709,228	2.35%	244,009	0.34%	—	—	Huang Chin-San Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	—
Huang, Hui-ju	1,565,455	2.163%	335,828	0.46%	—	—	Huang Chin-San Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung	Father and son Mother and son Brother and sister Brother and sister	—

9. Number of shares held and percentage of stake of investment in other companies by the Company, the Company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the Company, and calculations for the consolidated shareholding percentage of the above categories.

December 31, 2021, Unit: 10,000 share, %

Shift in investment	Investment by the Company		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by The Company		Consolidated investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
NANLIU ENTERPRISE CO., LTD (SAMOA)	47,728	100%	—	—	47,728	100%
Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	100%	—	100%
NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED	—	—	—	100%	7,380	100%
NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED	—	—	—	100%	7,500	100%
CHING-TSUN Biomedical Technology Co., Ltd.	400	100%	—	—	400	100%

## IV. Capital Overview

### 1. Source of capital:

#### A. Capital stock status

Unit: 1000 shares; NT\$1000

Year	Nominal value per share (NT\$)	Authorized stock		Paid-in capital		Remarks		
		Number of shares (share)	Monetary amount (NT\$)	Number of shares (share)	Monetary amount (NT\$)	Source of capital shares	Equity contributions made in the form of assets other than cash	Others
1999	10	19,782,000	197,820,000	25,000,000	25,000,000	Surplus conversion and capital cash increase	None	Note 1
2000	10	25,000,000	250,000,000	25,000,000	250,000,000	Surplus conversion	None	Note 2
2001	10	27,500,000	275,000,000	27,500,000	275,000,000	Surplus conversion	None	Note 3
2002	10	29,700,000	297,000,000	29,700,000	297,000,000	Surplus conversion	None	Note 4
2003	10	32,670,000	326,700,000	32,670,000	326,700,000	Surplus conversion	None	Note 5
2004	10	34,956,900	349,569,000	34,956,900	349,569,000	Surplus conversion	None	Note 6
2005	10	47,600,000	476,000,000	38,457,000	384,570,000	Surplus conversion	None	Note 7
2006	10	47,600,000	476,000,000	42,303,000	423,030,000	Surplus conversion	None	Note 8
2009	10	100,000,000	1,000,000,000	46,800,000	468,000,000	Surplus conversion	None	Note 9
2010	10	100,000,000	1,000,000,000	52,800,000	528,000,000	Surplus conversion	None	Note 10
2011	10	100,000,000	1,000,000,000	60,000,000	600,000,000	Surplus conversion	None	Note 11
2012	33	100,000,000	1,000,000,000	64,500,000	645,000,000	Capital cash increase	None	Note 12
2013	51	100,000,000	1,000,000,000	72,600,000	726,000,000	Capital cash increase	None	Note 13

Note:

1. Approved by the Ministry of Economic Affairs document number 88136434 on October 5, 1999.
2. Approved by the Ministry of Finance document number 96306 and Ministry of Economic Affairs document number 132602 on July 7, 2000.
3. Approved by the Ministry of Finance document number 153992 and Ministry of Economic Affairs document number 09001455350 on August 27, 2001.
4. Approved by the Ministry of Finance document number 0910146006 and Ministry of Economic Affairs document number 09101420360 on August 21, 2001.
5. Approved by the Ministry of Finance document number 0920136356 and Ministry of Economic Affairs document number 0932729920 on August 12, 2003.
6. Approved by the Financial Supervisory Commission document number 0930135288 and Ministry of Economic Affairs document number 09332793660 on August 09, 2004.
7. Approved by the Financial Supervisory Commission document number 0940132626 and Ministry of Economic Affairs document number 09432970340 on August 10, 2005.
8. Approved by the Financial Supervisory Commission document number 0950132996 and Ministry of Economic Affairs document number 09532910040 on July 27, 2006.
9. Approved by the Financial Supervisory Commission document number 0980040804 and Ministry of Economic Affairs document number 09833204310 on August 14, 2009.
10. Approved by the Financial Supervisory Commission document number 0990044285 and Ministry of Economic Affairs document number 09901228350 on August 23, 2010.
11. Approved by the Financial Supervisory Commission document number 1000037649 and Ministry of Economic Affairs document number 10001221900 on August 12, 2011.
12. Approved by the Financial Supervisory Commission document number 1010024889 and Ministry of Economic Affairs document number 1010117900 on June 08, 2012.
13. Approved by the Financial Supervisory Commission document number 1020008354 and Ministry of Economic Affairs document number 10201085060 on March 20, 2013.

## Stock type

April 1, 2022 Unit: share

Stock type	Authorized capital stock					Remarks
	Outstanding stocks			Unissued shares	Total	
	Already on the market (listed)	Not on the market (unlisted)	Total			
Common shares	72,600,000	–	72,600,000	27,400,000	100,000,000	The Company's stocks are listed stocks

Note: Please indicate whether the shares are listed or OTC companies (should be noted if it is limited listing or OTC traded).

## 2. Shareholder structure:

April 1, 2022 Unit: share

Shareholder structure Quantity	Government Agency	Financial Agencies	Others Legal person	Individual	Foreign institutions And outsiders	Total
The number of people	0	0	30	7,094	53	7,177
Shares held	0	0	27,209,818	41,747,174	3,643,008	72,600,000
Proportion of shares held (%)	0%	0%	37.48%	57.50%	5.02%	100.00%

## 3. Stock ownership distribution:

April 1, 2022 Unit: share

Stock holding classification	Number of shareholders	Shares held	Shareholding percentage
1 to 999	1,578	237,342	0.33%
1,000 to 5,000	4,874	8,801,391	12.12%
5,001 to 10,000	380	2,931,472	4.04%
10,001 to 15,000	104	1,341,990	1.85%
15,001 to 20,000	61	1,116,703	1.54%
20,001 to 30,000	58	1,451,096	2.00%
30,001 to 40,000	17	597,446	0.82%
40,001 to 50,000	19	894,408	1.23%
50,001 to 100,000	37	2,657,312	3.66%
100,001 to 200,000	19	2,651,572	3.65%
200,001 to 400,000	8	2,147,961	2.96%
400,001 to 600,000	3	1,595,853	2.20%
600,001 to 800,000	5	3,521,767	4.85%
800,001 to 1,000,000	1	803,525	1.11%
1,000,001 or more	13	41,850,162	57.64%
Total	7,177	72,600,000	100%

#### 4. List of major shareholders

List of top 10 shareholders or shareholders with 5% or more of total issued stocks.

April 1, 2022

Unit: share

Stock type	Shares held	Shareholding percentage
Name of major shareholders		
Tian Zi Ding Investment Limited	8,731,659	12.03%
Nei Chuang Investment Limited	5,998,924	8.26%
Huang Chin-San	5,288,978	7.29%
Bixiu Investment Limited	5,090,929	7.01%
Chun-I Investments Co., Ltd.	3,644,000	5.02%
Southern Charitable Trust	2,200,000	3.03%
Huang Hsieh Mei-Yun	1,851,159	2.55%
Huang Jen-Tsung	1,748,618	2.41%
Huang Shi-Chung	1,709,228	2.35%
Huang, Hui-ju	1,565,455	2.16%

#### 5. The net value, surplus, dividend, and market price per share within the last two years.

Unit: thousand shares/NTD

Item		2020	2021	As of March 31, 2022 (Note 4)
Market price per share	Max	334.5	205.5	127.0
	Min	119.00	96.8	97.0
	Average	216.46	145.98	111.66
Net value per share	Before issuance	58.79	48.06	49.65
	After issuance	37.78	(Note5)	-
Earnings per share	Weighted average	72,600	72,600	72,600
	Earnings per share (before adjustment)	20.02	1.62	-
	Earnings per share (adjusted)	8.16	(Note5)	-
Dividend per share (DPS)	Cash dividend	12.00	1.20(Note5)	-
	Stock grants	-	-	-
	Cumulative unpaid dividends	-	-	-
Return on investment	P/E ratio (Note 1)	10.71	90.11	-

t analysis	Dividend yield (Note 2)	17.87	121.65(Note5)	—
	Cash dividend yield (Note 3)	5.60%	0.82%(Note5)	—

Note 1: P/E Ratio = Average closing price for each share for the year/earnings per share

Note 2: P/D Ratio = Average closing price for each share for the year/cash dividend per share

Note 3: Cash dividend yield = cash dividend per share/average closing price per share for the year

Note 4: for the sake of data accuracy, only data through March 31, 2020 are shown.

Note 5: has not been adopted by shareholder meeting resolution.

## 6. The Company dividend policy and implementation status

### (1) Dividend policy stipulated within the articles of association

The Company's operation is based on long-term management, with the objective of stabilizing the Company's market competitive position. Thus, the Company will continue to make investments. To respond to the Company's future capital needs and long-term financial planning, the Company's dividend distribution will be based on a residual dividend policy. The Company's future capital budget planning will be used to balance the funding need for the next year. After reserving the required surplus capital, the remaining surplus will be distributed in the form of a cash dividend and stock dividend. However, the cash dividend shall not be less than 10% of the total dividend.

The company consistently adds production capacity to increase competing power. Every year, less than 50% of net income after tax is distributed as dividends and the rest of the earnings are reserved for future capital expenditures. To improve return on investment of shareholders, the payout ratio of 2021 is around 60% of net income. The dividend distribution is all on cash. A proposal of dividend distribution is first approved by the Board of Directors and then is submitted to the Annual Shareholders' Meeting.

### (2) This year's proposed dividend distribution:

#### **Nan Liu Enterprise Co., Ltd. 2021 Profit Distribution Table**

Unit: NT\$

Items	Amount (NT\$)	Remarks
Beginning retained earnings	1,555,408,615	
Other consolidated profit/loss—confirm the benefit plans before measuring the numbers	726,248	
2021 Net income	117,268,447	
Subtracted: Legal reserve (10%)	(11,799,469)	

Subtotal of distributable net profit		1, 661, 603, 841
Distributable items		
Dividend to shareholders—cash dividend (NT\$1.2/share)	87, 120, 000	
Unappropriated retained earnings	<b>1, 574, 483, 841</b>	

Chairman: Mr. Huang Chin-San    General Manager: Mr. Huang, Huo-Chun    Accounting Manager: Ms. Chuang, Chun-Chin

The Company's 2021 profit distribution has been approved by the Board of Directors. Shareholders on March 15, 2022. The resolution was NT\$1.2 cash dividend per share, with the total amounting to NT\$87,120,000. However, this has not been approved by the Annual shareholders' meeting.

7. The effects of stock grants drafted by this shareholders' meeting on The Company's operating performance and earnings per share: none

8. Employee, Director, and supervisor remuneration:

The Company's Board of Directors meeting passed the 2021 employee remuneration on March 15, 2022. The remuneration shall be listed based on a specific percentage according to the year's profit status. Directors' remuneration is listed into accounting based on expected issued amount. If the aforementioned listed amount is different from the actual issued amount, the change will be handled according to accounting estimates and adjusted and accounted for in the issuing year.

2021 remuneration of directors and employees:

Unit: (NT\$)

	Monetary Amount (NT\$)	Note:
Directors/supervisors' remuneration (in cash)	780, 394	Accounts for 0.90% of income before income tax (Parent Company Only)
Employee remuneration (in cash)	1, 127, 236	Accounts for 1.3% of income before income tax (Parent Company Only)
Total	1, 907, 630	

Note: The aforementioned employee remuneration is scheduled to be paid in 2022.

2020 remuneration of directors and employees:

Unit (NT\$)

	Monetary Amount (NT\$)	Actual number issued (note)
Directors'/supervisors' remuneration (in cash)	17, 583, 000	17, 583, 000
Employee remuneration (in cash)	25, 176, 000	25, 176, 000
Total	42, 759, 000	42, 759, 000

Note: The appropriated remuneration of directors and employees is the same as proposed remuneration of directors and employees by the Board of Director. And it was paid after being approved by the 2021 annual shareholders' meeting.

9. Buyback of company stock: none

10. Handling of corporate bonds, special shares, overseas depository receipts, proof of employee stock options, mergers and acquisitions (including mergers, acquisitions and splits): none.

11. Funding application plan and implementation: None.

## V. Operating summary

### 1. Business Activities

#### A. Business scope

##### (1) Main business contents

- ◆ Manufacturing, processing, trade and import and export of suede, imitation leather, nonwoven lining, fabrics for civil engineering, waterproof/fire-resistant filter bags, resin bond padding, shoe materials, nonwoven carpets, nylon carpets, and DuPont synthetic fiber bullet-proof vests.
- ◆ Manufacturing, trade, and import and export of scouring pads, industrial grinding wheels, and household aluminum foil products (aluminum foil dirt-prevention plates).
- ◆ Trade, import and export of household hardware, nonwoven fabrics, resin, carborundum, aluminum products, and their raw materials.
- ◆ Manufacturing, processing, trade and import and export of nonwoven air filters, cotton fabrics, and aluminum foil and aluminum tableware.
- ◆ Import, export and trade of household plastic products (tableware) and stainless steel cutlery.
- ◆ Agent of domestic and foreign manufacturers' distribution, quotation and bidding for abovementioned products.
- ◆ Industrial plant development and rental businesses.
- ◆ Development of specific professional areas.
- ◆ Cosmetics manufacturing, wholesale and retail.
- ◆ Paper processing.
- ◆ Cosmetic pigment manufacturing industry.
- ◆ Dehydrated food manufacturing industry.
- ◆ Supplementary food wholesale industry.
- ◆ Cleaning supplies wholesale and manufacturing industry.

##### (2) The business proportion of main products

Units: 1000 NT\$; %

Main products	2021	
	Amount	%
Spunlace nonwoven fabrics	2,042	30.1%
Biotechnology products (note)	2,137	31.5%
Air through & Thermal bond nonwoven fabrics	1,841	27.1%
Disposable surgical gowns fabrics	499	7.4%
Others	265	3.9%
Total	6,784	100.00%

Data sources: offered by The Company Note: including wet wipes, facial mask and skincare products.

##### (3) The Company's products (services)

###### ① Hygiene materials:

- A. PP air through & Thermal bond nonwoven fabrics—baby/adult diaper and sanitary napkin surface material.
- B. Spunlace nonwoven fabrics—medical grade operation protective clothing fabrics, dust-free electronic cleaning cloth, clean wipes, medical drape cloth, and ointment cloth.
- C. Needle rolled nonwoven fabric—bra liner and shoulder pad cotton material.
- D. Biotech products—wet wipes (infant, adult skin), masks, makeup remover cotton, emulsion liquid cosmetics (collagen day cream, placenta night cream, lotions, extracts, eye creams, marine creams, and skincare products).

###### ② Industrial products:

- A. Grinding wheels—stainless steel, copper PCB grinding, wood polishing, and electroplating polishing.
- B. High-end air filter cloth.



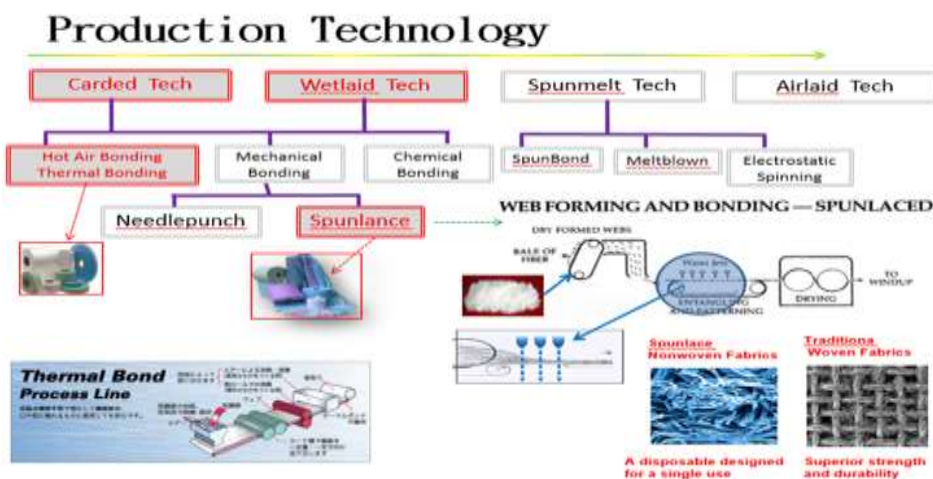
C. Household articles—household cleaning rags, scouring pads, and other cleaning products.  
 (4) Planned product development

- ① Nonwoven fabrics: medical/surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven cloth, biodegradable environmentally friendly nonwoven cloth, 3D surface nonwoven fabric, and industrial wipes.
- ② Biotech products: top-grade facial masks, top skincare products, food grade collagen, plant extract, emulsions, liquid agent for cosmetics, washable wet wipes, far infrared mask.

B. Industry overview

1. Current state and development of the industry

Nonwoven fabric is made with unconventional combining or weaving methods. The process uses mechanical, thermal, and chemical means to glue, roll, melt, and spun bond together natural or artificial fibers. Because these products have some characteristics of cloth, they are called nonwoven fabrics. The nonwoven fabric industry is the youngest member of the textile industry and has the most development potential. This process breaks through conventional textile technology and fully utilizes modern physics and chemical concepts to derive a newly emerging technology. This industry also fully integrates textile, mechanical, chemical, plastic, and papermaking technology to significantly reduce production costs in the conventional textile industry and effectively increase production quantity. Currently, formed nonwoven fabric is suitable for use on non-clothing products, single-use sanitary items, or cosmetic/skincare products. This industry can be perceived as a secondary industry in the textile industry. Of all textile manufacturing processes, nonwoven fabric has the shortest production process and the largest production capacity. Initially, it was used to produce low-price products. In recent years, because industry, technology and production equipment have continued to advance, new applications are being developed. The level of products has also increased to become high value-added products. Taiwan's nonwoven fabric industry began in 1969 and has over 30 years of history. After long-term hard work by Taiwanese industry operators, the accumulated development results and manufacturing technology have an important place in the global market.



Data source: Nanliu

In addition to being widely used on conventional household sanitary products, nonwoven fabric can be used in more special environments after design change. For example, it can be used in medical/surgical clothing and as industrial and electronic wipes. Its quality requirements must achieve a certain cleanliness, permeability, and hairball residue level. As global travel becomes more common, resulting in frequent exchange, new viruses

such as SARS and H1N1 can spread rapidly in this environment. Recently, natural disasters such as earthquakes and floods are also frequent occurrences and have caused severe damage and casualties. When regions of the world encounter such chaos, the need for sanitary and medical/protective equipment will significantly increase. This indicates that civilized cultures are placing more emphasis on health and safety and that the need for single-use nonwoven consumer products will increase.

Because nonwoven fabric is light, elastic, and breathable and can be made to have different uses (filter, absorber/perspiration evaporator, made to be air/moisture permeable, made to be used for planting, for polishing, and to insulate noise and heat) after going through different procedures. It can also be made into different forms and appearances. In recent years, production technology breakthroughs and introduction of different processing methods to make high-tech special artificial fibers have pushed nonwoven fabric to be used in unconventional fields. Conventional uses such as household sanitary products have extended to medical, aerospace, filtration, computer, and civil engineering industries. After special production and processing, nonwoven fabric can be classified as high-tech textile products in functional textile, which has stably increased in sales every year.

#### Nonwoven fabrics use

Clothing	Secondary clothing material	Filling material (men/women's clothing, children's clothing, short jacket, shirts, and hat material)
	Thermal insulation material	Filler cotton (wetsuit, pajamas), quilt
	Disposable clothing	Protective clothing, travel underwear, beachwear, casual wear
Home textiles	Kitchen	Scouring pad, table cloth, table napkins, filter material
	Furniture	Sheets, bed covers, mattress covers, sofa covers, cushion covers
	Decoration	Carpets, curtains, wallpaper, audio equipment
Artificial leather	Shoe materials	Surface material, inner material, middle material, anti-sliding material, reinforcing materials
	Bag material	Bag interior substrate, bag bottom material, leather upholstery
Industrial use	Filter material	Filters (liquids, gases, dust, grease)
	Wiping cloth	Dust cloth, wiping cloth
	Electronic equipment	Insulating material (cloth, battery cell separation cloth, coating material)
	Print fabric	Maps, calendars, labels, stickers
	Others	Aircraft skin coating material, material for the aerospace industry, body armor
Geotextile	Civil engineering	Asbestos mats, soil stabilization materials, water storage materials, artificial turf
	Building	Waterproof and moisture permeability fabrics, roofing materials, soundproofing materials, shockproof material
	Foundation	Highways, subways, airports, tunnels
Agriculture and gardening	Agriculture	Heat protection material, windproof materials, fruit protection material
	Gardening	Seedling and orchid growing materials
Life-related	A variety of packaging materials	Candy packaging, teabags, handbags
	Washing supplies	Towels, paper towels, tablecloths
	Makeup wipes	Cosmetic puff
	Other family use	Various water absorbing paper cloth

Medical nonwoven cloth	Hospital	Surgical masks, surgical caps
	Medical supplies	Compress towel substrate and adhesive tape
	Others	Artificial skin, artificial blood vessels
Hygiene products	Physical products	Sanitary napkins
	Diaper	Adult diapers, baby diapers

From the beginning of Taiwan's nonwoven fabric industry in the 1960s to the present, operators have experienced Taiwan's economic flight and prosperity after 10 great construction projects. After the 2000 financial crisis, Taiwan businessmen moved abroad. Later, the oil crisis, the American housing loan crisis, and the European debt crisis resulted in a global economic downturn. In 2011 and 2012, sales in Taiwan's nonwoven fabric industry declined. The sales value gradually improved after 2013, along with economic revival, expansion of the application market, and improvements in production technology. In 2019, Taiwan's nonwoven fabric export value was USD 288 million, and the export quantity was 99 thousand tons. The need of non-woven is up trend.

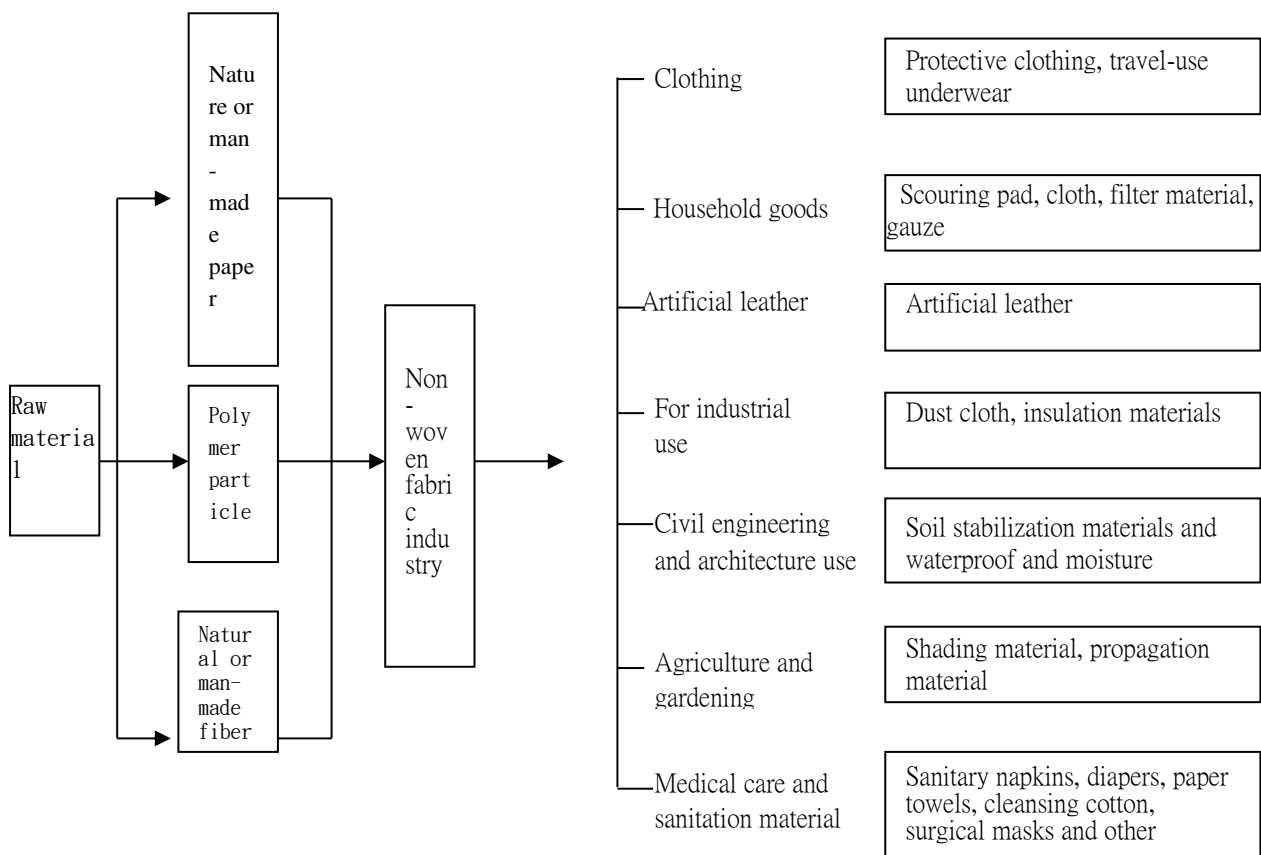
Statistics of Taiwan's nonwoven fabric industry production, import and export value and quantity within the last five years.

	2016	2017	2018	2019	2020	Unit
Production volume	188.0	200.4	197.3	191.4	193.6	1000 Ton
Export value	372.5	407.3	423.9	388.2	470.2	1000 USD
Import value	103.2	103.3	111.4	100.5	150.8	1000 USD
Export volume	98.2	106.0	103.8	98.7	114.3	1000 Ton
Import volume	26.6	26.1	27.5	24.6	40.2	1000 Ton

Data source: ANFA - 2021 Taiwan statistic report (2021.06.10)

## 2. Correlation among upstream, midstream, and downstream sections of the industry

Nan Liu Enterprise's main products are nonwoven fabric and cosmetic/beauty care products. The industry correlation diagram is as follows:



### (3) Various product development trends

#### ① Product diversification

In recent years, the nonwoven fabric industry has been affected by significant fluctuation in raw material prices, and the cost has significantly increased. China's nonwoven fabric industry operators have also increased their production scale and taken a price-competition model of sales. As a result, gross profit has fallen for Nan Liu and other nonwoven fabric operators in recent years. Thus, relevant nonwoven fabric operators must diversify their development direction and products and use increased product added value to increase profitability.

#### ② Cross-field nonwoven fabric composite technology development

In addition to diversifying industry development and products, the nonwoven fabric industry is also engaging in nonwoven fabric composite technology. For example, the top and bottom layers of spun bond nonwoven fabric and a middle layer of meltblown nonwoven fabric goes through composite processing to produce SMS nonwoven fabric. The Company is also actively developing medical use pulp spunlace composite nonwoven fabric, composite biodegradable nonwoven fabric, and composite elastic nonwoven fabric. As composite technology becomes more mature, the industry is able to expand the application of nonwoven fabric and increase added value.

#### ③ World trend in environmentally friendly material

In recent years, environmental awareness has emerged, and single-use, disposable nonwoven fabric products such as wet wipes, medical use surgical garment, masks, and gauze all require the development of environmentally friendly materials. The nonwoven fabric industry is developing different fiber materials that will be able to quickly decompose into shorter molecular chains. This will allow the materials to decompose into smaller fragments in natural environments and reduce pollution. The industry is also developing fiber materials that can decompose into small CO<sub>2</sub>, H<sub>2</sub>O, or CH<sub>4</sub> molecules in the natural environment. This will allow materials to return to nature and lower their impact on the environment. The Company will continue to improve its composite technology and is currently in the initial stages of developing composite, decomposable nonwoven fabric.

Some parts of nonwoven fabric production use wood pulp, which can affect the ecological environment system. Thus, The Company will continue to focus on monitoring and controlling the nonwoven fabric industry chain. In 2012, The Company passed the FSC COC chain of custody verification. The use of FSC COC to monitor the nonwoven fabric production chain can achieve the protection of forests throughout the entire supply chain (upstream sources of wood raw materials, processing, manufacturing, sales, printing, products, sales to the end consumer). This prevents overconsumption of the world's forestry resources and mitigates the effects on existing ecological systems during the production and sales process, enabling the Company to fulfill its environmental and social responsibilities.

### (4) Competition

The Company was founded in 1978, and its main business is the production and sales of hot-pressed nonwoven fabrics, spunlace nonwoven fabric, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In recent years, the Company has expanded production lines to personal hygiene products including wet paper towels and beauty maintenance supplies such as masks and skincare products. Currently, listed domestic companies with similar products, capital, and operating scale include Kang Na Hsiung, Shinih, and Universal Incorporation. Their main operating items and operating revenue are as follows:

Unit: million NT\$

Company Items	Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
Major Business items	1.Spunlace nonwoven fabric (including Disposable surgical gowns fabrics) 37.5% 2.Air through & Thermal bond nonwoven fabrics 27.1% 3.Biotechnology products (including wet wipes) 35.37% 4.Others 0.03%	1. Sanitary napkin 42.13% 2. Diaper 6.49% 3. Wet wipes 16.23% 4. Nonwoven and others 35.15%	1. Nonwoven 96.7% 2. Other 3.3%	1.Spunbond and composite nonwoven fabric 40.68% 2.Meltblown nonwoven fabric 11.15% 3. Processed product 47.62% 4.Other 0.55%
2021 consolidated net sales	6,784	4,028	2,614	1,191

Data source: the 2018 consolidated financial statement from various companies that are announced on MOPS website.

### 3. Long-term and short-term business development plans

#### (1) Short-term plan

- Consolidate existing clients, and attract more customers.
- Implement the Group's production policy to obtain the most advantageous configuration.
- Obtain high-end orders, and improve real profits.
- Improve resource utilization, and reduce resource consumption and waste.
- Promote environmentally friendly product production technology to obtain market opportunities.

#### (2) Long-term plans

- Integrate the group's resources, and provide customers with more complete services.
- Improve the cost structure, and provide our customers with more competitive prices.
- Enhance customer satisfaction, and expand the overall production scale. Pursue cost advantages to make prices more competitive.
- Create a win-win situation, ensure technology leadership, and increase market share.

## 2. Market, production, and sales status:

### i. Market analysis

#### (1) Main product sales area

Unit: million NT\$

Area	Year	2020 (consolidated )		2021 (consolidated )	
		Amount	Ratio%	Amount	Ratio%
Taiwan		3,111	33.2%	1,616	23.8%
China		3,618	38.6%	3,070	45.3%
Export	Japan	899	9.6%	881	13.0%
	Asia	1,518	16.2%	958	14.1%
	Others	225	2.4%	259	3.8%
Total		9,371	100.00%	6,784	100%

#### (2) Market share

The Company's main business is the production and sales of Air through & Thermal bond nonwoven fabrics, spunlace nonwoven fabrics, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In 2018, The Company's consolidated operating revenue was superior to that of similar companies in the industry,

including Nan Liu, Shinih, and Universal Incorporation.

Unit: million NT\$

Company		Items			
		Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
2021 (consolidated)	Net Sales	6,784	4,028	2,614	1,191

Data source: the consolidated financial statement from various companies that are announced on MOPS website.

In addition, according to a statistic by Nonwovens Industry (a main United States nonwoven fabric monthly journal), the Company ranked 24rd among all nonwoven fabric companies in the world in 2019. The Company has exceeded the rankings of all similar companies in Taiwan and has become an important nonwoven fabric company in the Asia region. The Company ranked 463rd among companies of the manufacturing industry in 2022.

### (3) Future market supply and demand and growth

Nonwoven fabric is lightweight, elastic, and breathable and can be made to have absorption/moisture retention and breathable/moisture permeable characteristics or made into filters, planting material, wiping material, soundproofing material, and insulation materials through different processes. In addition, this material can be made into diverse forms and appearances. As production technology continues to show breakthroughs in recent years, high-tech special artificial fiber is being continuously developed. Processing methods are becoming more diversified, and nonwoven technology is being applied to unconventional fields. Nonwoven fabric has moved from conventional uses such as everyday hygiene supplies to being used in medical, aeronautic, filter, computer, and civil engineering fields. After special processing, nonwoven fabric can be classified as a high-tech textile product in functional textile. As such, its global sales have grown steadily each year.

#### ① The downstream application product demand is growing steadily.

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to ten years.

#### ② The China market has created a huge market and business opportunity.

In terms of individual areas, China has the fastest growth in the nonwoven fabric industry. In 2013, China's nonwoven fabric production quantity was 2.387 million tons but reached 5.27 million tons by 2020. This is an annual compound growth rate of 17%, which far exceeds the global average. This is mainly attributed to increasing Chinese labor costs, appreciation of the CNY, and raw material price increase. At the time, the European and American markets showed weak economic numbers, increased national debt, high unemployment rate, and other negative factors, which resulted in decreased demands. Still, China itself is showing growing demands, and increased salaries have raised the average income of its citizens. This, in addition to the two-child policy, has led to expected increased demand in the nonwoven fabric production, and demand is expected to grow. In the second half of 2016, the CNY depreciated significantly, and the impact on the exports was huge. However, due to the two-child policy and the increased national income, the domestic demand could maintain steady growth for

disposable consumer goods.

Production quantity and import/export value and quantity in the nonwoven fabric industry in China for the last six years.

Item	2015	2016	2017	2018	2019	2020	Unit
Production volume	2,941	3,261	3,705	3,960	4,210	5,273	Thousand tons
Export value	2,482.1	2,556.3	2,614	2,705.8	3,111	4,949	Million USD
Import value	859.4	842.6	897	827.4	842	1,106	Million USD
Export volume	730.9	832.5	894.2	881.5	1,051	1,364	Thousand tons
Import volume	138.0	132.7	147.3	127	127	159	Thousand tons

Data source: ANFA – 2021 China statistic (July 10, 2021)

### ③ Stable domestic demand

As the economy gradually began reviving in 2013, expanded market application and production technology advancements gave Taiwan's nonwoven fabric industry a highly competitive edge in the global market. In 2020, Taiwan's nonwoven fabric export value was USD 470 million, and the export quantity was 114.3 thousand tons. Compared with 2019, the amount increased 63.1%. The need of non-woven is up trend.

### (4) Competitive niche

#### ① Continuing investment in research and development

The Company has invested in the production and development of nonwoven fabric since 1995. We have accumulated more than 20 years of production experience and built a technology team to improve our development abilities. Currently, The Company has professionals who were once part of the PGI group, and who have nonwoven fabric experience, leading the R&D team. The team has continually developed nonwoven fabric production technology and expanded its relevant applications. At present, the Company's research results include surgical medical protective clothing fabrics and industrial-strength cloth. In the future, we will expand into embedded anti-corrosion technology, water purification technology, flushable wipes, elastic diaper waists, strong wipes for 3D printing technology and other high value-added products. Regarding production technology and process improvement, the Company will adjust production equipment based on new material development and process improvements. Actual production site tests will be conducted to set the best production parameters, which will improve production yield and lower production costs. Furthermore, The Company will maintain close exchange with major European, American, Japanese, and Korean hygiene product companies to fully understand market trends. This will enable The Company to rapidly develop products that conform to market demands.

#### ② Good stability product quality

The Company has actively obtained ISO 9001:2015 quality certification, CNS(Chinese National Standards) quality certification, ISO 14001:2015 environmental certification, ISO13485:2016 medical certification, ISO 45001:2018 Occupational Health and Safety Management Systems certification, ISO 22716:2007 Cosmetics quality management system certification, GMPC(Good Manufacturing Practice of Cosmetic Products) excellent cosmetics manufacturing standards certification, GOTS( The Global Organic Textile Standard) certification, Sedex (Suppliers Ethical Data Exchange) certification, USA COTTON products certification, AAMI American standard medical surgery clothing certification, EN13795 European standard medical surgery clothing certification, and FSC-

COC:2017 (Chain of Custody) production and sales management certification. These certifications ensure that The Company manufactures and sells nonwoven fabric and related products under the strictest quality control and provide customers with peace of mind. In addition, The Company also uses related quality management tools (such as the SPC method) to continue to improve product quality. ISO 9001 and other quality management systems are implemented, and quality personnel are actively cultivated to ensure a solid foundation for product quality.

In addition to actively building a quality management system for various items, The Company also requires work personnel to strictly follow relevant production SOPs during the production process. The production environment is managed based on low temperature, germ-free, and cleanroom standards. To reduce possible pollution during the production process from personnel operations, The Company has introduced automated production equipment from Germany and Japan as well as conducted quality monitors and tests for various automatic detection systems. This ensures that all products from the factory conform to strict quality standards and relevant specifications.

(5) Advantageous and disadvantageous factors for development prospects and response measures

① Advantageous factors

A. Downstream product application demand is steadily growing

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to 10 years. Therefore, The Company will have space for growth in the nonwoven fabric industry in the future.

B. Continual development of new application fields

The application scope of nonwoven fabric is continuing to expand and can be used in different applications after processing with different techniques. Nonwoven fabric products are continuing to be developed and innovated. In the United States, Japan, Europe, and other advanced nations, nonwoven fabric is still classified as an emerging industry that is environmentally friendly. Because there are diverse application fields, nonwoven fabric can be used in daily living supplies; medical protection; car materials; electronics and hi-tech; industrial, agricultural and textile products; and as shoe material and synthetic leather. Global demand for nonwoven fabric products is still steadily growing, and the production value will soon be higher than that of conventional textile products. Of these, nonwoven fabric is showing the fastest growth in everyday hygiene products and medical protection products.

C. Biotechnology products have a certain brand visibility

In addition to the production and sales of nonwoven fabric, The Company has gradually been diversifying in recent years. Currently, The Company has two brands, Silk Soft and Netharria. Products from these two brands include masks, makeup emulsion, lotion, moisturizer, and shower gel. These products are sold in department stores, post offices, and



farmer's associations. Currently, mask products have become one of the most popular items sold by the post office. Our masks have also been selected by the Cross-Strait Trade & Commerce Association of R.O.C. as a recommended souvenir. Thus, The Company's beauty care products have established initial brand recognition. We will continue to expand our sales channels and further enhance our brand awareness.

② Disadvantageous factors

A. Risk of price competition from Chinese companies

According to Taiwan Nonwoven Fabric Industry Association monthly journal data, Chinese companies are continuing to make significant investments in the nonwoven fabric industry by acquiring machinery and equipment. In recent years, China's nonwoven fabric industry production quantity has grown by an average of 10% annually. China's nonwoven fabric production value is the highest in Asia (except Japan) and is rapidly developing. This has formed a certain threat and pressure for Taiwan's industry. China's investment in nonwoven fabric is mostly centered around spunbond and meltblown production technology. Spunbond and meltblown have high investment costs and large production scale; therefore, high-quantity production is required to reach economies of scale for this new machine equipment. Thus, the current nonwoven fabric market is showing a trend of price competition.

Response measures:

The Company has focused on developing hot air/hot-press and spunlace technology nonwoven fabrics. Hot air/hot-press nonwoven fabric is soft, loose, and has good texture. Currently, they are widely used in diaper and sanitary napkin surface material. The Company has improved spunlace nonwoven fabric technology and materials, production technology, water quality purification technology, and post-processing technology (water resistance, alcohol resistance, and blood resistance). Currently, we have passed the American standard AAMI certification and European standard EN 13795 certification, which means that these materials can be used as medical and protective materials. Currently, surgical clothing made from spunlace nonwoven fabric has higher cost but is preferred by medical personnel because the materials are better than SMS composite nonwoven fabric. The Company is continuing with various new product development and product quality improvements and has clearly separated our market and product position from the spunbond and meltblown nonwoven fabric of our Chinese competitors.

B. Risk of substitute products

Currently, common nonwoven fabric formation technology used around the globe is similar and generally includes machine bonding, thermal bonding, spunbond, and meltblown technology. The Company's current main products are spunlace nonwoven fabric and hot air bonding/hot-press nonwoven fabric, which are classified as mechanical bonding and thermal bonding technology. Comparatively, some vendors have converted their investments toward spunbond and meltblown technology nonwoven fabric, then processing the products with composite processing to produce SMS nonwoven fabric. SMS nonwoven fabric such as polyester has a relatively low price. Not only does polyester have a price advantage, SMS nonwoven fabric has lower water permeability. Thus, SMS nonwoven fabric made with spunbond technology and meltblown technology and composite processing has become the primary replacement product for The Company's spunlace nonwoven fabric and air through & thermal bond nonwoven fabrics.

Response measures:

In addition to cost considerations, we must also consider the comfort and softness of nonwoven fabric products. Hot air/hot-press and spunlace technology produced nonwoven fabrics are more comfortable, softer, and more elastic. Although SMS produced surgical clothing can reach 40 g, the material tends to be transparent and has a plastic feel. Thus, surgical medical personnel still prefer surgical clothing made from spunlace nonwoven fabric and dislike wearing SMS nonwoven fabric surgical clothing that feels like a raincoat. Therefore, spunlace nonwoven fabric still has a certain market demand.

The Company is still developing various spunlace nonwoven fabric products such as elastic composite nonwoven fabric, elastic pulp spunlace nonwoven fabric, biodegradable environmentally friendly spunlace nonwoven fabric, flushable wet wipes, and industrial use wipe to increase the added value and application of spunlace nonwoven fabrics.

C. A large amount of investment must be made to maintain competitiveness in the nonwoven fabric industry

As production technology improves in the nonwoven fabric industry, new products are developed, sales are expanded, and branches are opened overseas, nonwoven fabric industry personnel must continue to invest funds to purchase new machinery and equipment to expand production capacity. This is required to gain and maintain a competitive advantage. Thus, the nonwoven fabric industry requires significant funding, and relevant operators should have sufficient funding and flexibility capital allocation to engage in expansions and asset investment.

Response measures

The Company maintains a good relationship with financial institutions. Currently, The Company has a low cost of borrowing money and still has sufficient bank financing. In the long term, The Company not only reserves a surplus from the annual profit but also uses listing plans and capital market instruments to obtain sufficient and stable long-term investment funds. This fund is used to fulfill expansion needs, improve the Company's financial structure, and reduce financial risk.

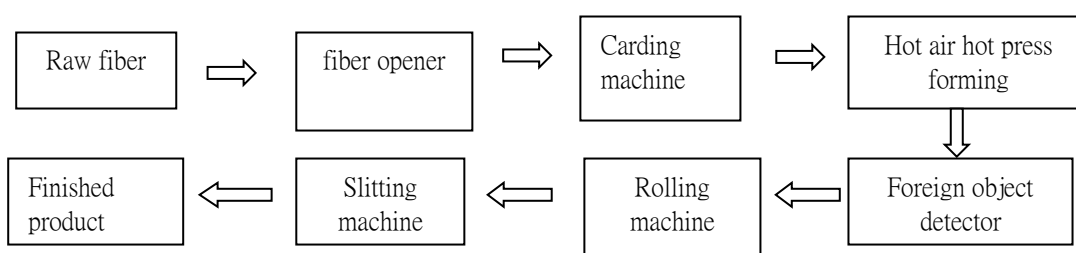
## ii. Major uses and production process of the primary products

### (1) Major uses of the primary products

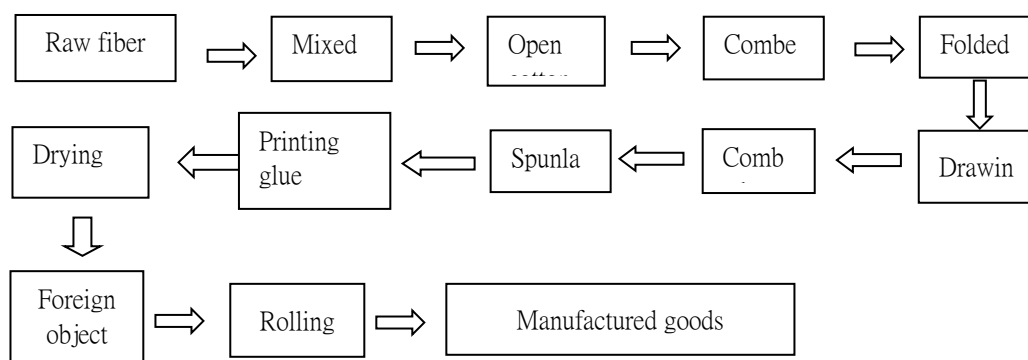
Main products	Important use
Air through & thermal bond nonwoven fabrics	Baby diaper and sanitary napkin surface material
Spunlace nonwoven fabric	Medical and sanitary materials, cleaning supplies, shoes
Biotech products	Wipes (infant, adult skin), masks, cleansing cotton, emulsion liquid cosmetics

### (2) Production process

#### ① Air through & thermal bond nonwoven fabric



#### ② Spunlace nonwoven fabric



iii. **Main raw material supply status**

The main raw materials	Major suppliers (domestic and foreign)	Supply status
Polypropylene (PP), composite fiber Rayon fiber, PET fiber	SPV and Shanghai Yizheng	Good

iv. **List of vendors that account for more than 10% of total purchases within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.**

Units: Thousand NT\$; %

Items	2020				2020				As of March 31, 2022			
	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship
1	SPV	390,654	7.23	None	Sateri	484,283	12.4%	None	Sateri	118,042	16.2%	None
2	Others	5,013,578	92.77	None	Others	3,398,406	87.60	None	Others	610,327	83.8	None
	Net Purchase	5,404,232	100.00		Net Purchase	3,882,689	100.00		Net Purchase	728,369	100.00	

Explanation for changes:

The main raw materials used by The Company within the last two years are PET fiber, rayon fiber, and nonwoven fabric. SPV and Sateri is The Company's rayon fiber provider. There are no major changes to raw material suppliers within the last two years.

v. **List of customers that account for more than 10% of total sales within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.**

Units: Thousand NT\$; %

Items	2020				2021				As of March 31, 2022			
	Name	Amount	% of net sales	Relationship	Name	Amount	% of net sales	Relationship	Name	Amount	% of net sales	Relationship
1	A Company	739,927	7.90	None	A Company	764,298	11.27	None	C Company	164,878	12.73	None
2	B Company	634,401	6.77	None	B Company	687,699	10.14	None	A Company	137,411	10.61	None
3	Others	7,997,082	85.33		Others	5,332,155	78.59		Others	992,698		

Net Sales	9,371,410	100.00	Net Sales	6,784,152	100.00	Net Sales	1,294,987	100.00
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Explanation for changes:

The Company focuses on the nonwoven fabric industry and management of its related derivative products. Our main products include air through & thermal bond nonwoven fabric, spunlace nonwoven fabric, hygiene products, and biotech/beauty care products. Our customers include vendors in Taiwan, Japan, and Korea. Our product quality has passed professional certification, and The Company has a stable and long-term supply and sales relationship with our customers. There were no significant changes in sales customers within the last two years.

**vi. Production quantity and value in the last two years**

Unit: thousand packs/ton/ NT\$1000

Year Production quantity and amount Primary products	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Spunlace nonwoven fabric	35,000	44,683	3,231,452	35,000	36,876	2,506,746
Air through & thermal bond nonwoven fabric	16,650	21,948	1,637,051	16,650	19,297	1,421,168
Biotechnology products (note)	—	557,180	3,484,204	—	322,413	3,013,147
Disposable surgical gowns fabrics	7,300	7,291	621,379	7,300	3,906	402,878
Others	—	9	1,767	—	10	1,627
Total	—	631,111	8,975,853	—	382,502	7,345,566

Note: includes wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

**vii. Sales quantity and value in the last two years**

Unit: thousand packs/ton/and NT\$1000

Year Sales value Primary products	2020				2020			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Spunlace nonwoven fabric	12,833	1,327,962	15,153	1,338,859	10,601	756,697	16,818	1,283,642
Air through & thermal bond nonwoven fabric	16,584	1,652,439	3,185	405,163	15,159	1,476,729	3,057	363,647
Biotechnology products (note)	390,697	3,232,632	57,034	355,257	206,885	2,335,543	5,538	66,675
Disposable surgical gowns fabrics	2,606	352,288	5,035	704,941	302	38,218	3,516	460,845
Others	10	1,869	0	0	12	2,156	0	0
Total	422,730	6,567,190	80,407	2,804,220	232,960	4,609,343	28,929	2,174,809

Note: includes wet wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

**3. Number of employees in the last two years**

Year	2020/12/31	2021/12/31	2022/03/31
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The number of employees	Direct	854	597	614
	Indirect	258	279	273
	Total	1,112	876	887
Average age		34.46	35.73	34.9
Average years of service (years)		4.15	5.47	5.30
Education distribution ratio (%)	Ph.D.	0.36%	0.23%	0.34%
	Master	2.43%	3.20%	3.72%
	College	33.99%	39.27%	37.43%
	High school	34.17%	31.62%	31.12%
	Below high school	29.05%	25.68%	27.39%

#### 4. Environmental protection expenditures

(1) The Company has applied for and received pollution emission permits, paid pollution prevention fees, or established designated environmental personnel according to regulations. The following is The Company's permit and establishment status:

Items	Name of allowed fixed pollutant source	Code	Effective period	Permit document number	Remarks
1	Cosmetic manufacturing procedures	(M02) 190059	06/07/2016 - 06/06/2021	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1779-00	First factory
2	Chemical industry Water pollution prevention license		09/22/2020-09/21/2025	Kaohsiung City Government Environmental Protection permit number 00950-02	First factory
4	Heat medium heating process	(M05) 000002	03/18/2021 - 03/17/2026	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1835-02	Second plant
5	Heat medium heating process	(M02) 000002	08/18/2020 - 12/02/2023	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1172-02	Second plant
	Water pollution prevention license		11/17/2016-03/29/2021	Kaohsiung City Government Environmental Protection permit number 00987-01	Second plant

(2) The Company's investment in environmental pollution prevention equipment, their uses, and their expected benefits:

March 31, 2022

Equipment name	Quantity	Obtainment date	Investment cost (NT\$1000)	Residual value	Remarks
Dust collection equipment	4	09/25/2000	1,083	0	Fiber opening machine is fitted with dust collection equipment to meet air pollution testing standards.
Dust collection equipment	1	07/31/2005	750	0	For use in opening fiber and collecting dust, reducing production costs, meeting environmental requirements.
Recycled water treatment equipment	1	04/01/2004	4,653	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	12/31/2000	220	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water	1	11/25/2010	660	0	Recycled water, reduce production costs,

improvement project					meet environmental requirements
Recycled water improvement project	1	03/28/2011	3,630	0	Recycled water, reduce production costs, meet environmental requirements
Dust collection equipment	1	01/25/2011	95	0	Purification of waste gas, reduce production costs, and meet environmental requirements.
New construction of biotech wastewater retention equipment	1	09/25/2015	240	28	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Continuous and automatic monitoring of waste water (video) transmission	1	10/25/2015	500	63	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Flotation equipment	1	12/25/2015	8,677	1188	Recycled water, reduce production costs, meet environmental requirements
Storage equipment (spunlace)—20T flat bottom tanks	1	02/25/2016	250	38	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Pressure filter equipment	1	05/25/2016	860	155	Recycled water, reduce production costs, meet environmental requirements
Pressure filter equipment	1	10/25/2019	7209	5409	Recycled water, reduce production costs, meet environmental requirements
Recycle fibers Dust collection equipment	1	01/01/2020	6351	5028	Cleared air, reduce production costs, meet environmental requirements
New High Pressure Filter Press	1	01/01/2020	1100	870	Recycled water, reduce production costs, meet environmental requirements
Dust collection equipment	1	01/01/2020	16510	13070	For use in opening fiber and collecting dust, reducing production costs, meeting environmental requirements.
Expert in dry system	1	05/01/2020	1051	890	Recycled water, reduce production costs, meet environmental requirements
New High Pressure Filter Press	1	05/01/2020	1100	932	Recycled water, reduce production costs, meet environmental requirements
Cotton Dust collection Quest	1	05/01/2020	7775	6587	Cleared air, reduce production costs, meet environmental requirements
Dust collection equipment	1	08/01/2020	6810	5902	Cleared air, reduce production costs, meet environmental requirements
Air flotation equipment	1	10/01/2020	5168	4651	Recycled water, reduce production costs, meet environmental requirements
Air flotation equipment	1	10/01/2020	6246	5622	Recycled water, reduce production costs, meet environmental requirements
Air duct collection engineering	1	10/01/2020	2660	2394	Input fiber, dust collection, reduce production costs, meet environmental requirements
Waste water process and recycle equipment	1	07/01/2020	3697	3142	Follow waste water process procedure, meet environmental requirements
Soft water filtration system	1	10/01/2020	1330	1197	Follow waste water process procedure, meet environmental requirements
Air flotation Sewage bucket engineering	1	03/01/2021	220	216	Recycled water, reduce production costs, meet environmental requirements

Note: from 2021 through the date of annual report printed, The Company has expended NT\$7,276 thousand on environmental cleaning and maintenance-related items.

(3) In the last two years through the printing of this annual report, the Company's improvement of environmental pollution: none.

- (4) The Company's losses and total fines as a result of pollution to the environment (including reparation) within the last two years through the printing of this annual report. Disclose future response measures, including improvement measures and possible expenditures (including estimated losses, fines, and compensation if response measures are not taken). If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.
- (5) Current pollution and improvement status, and its effects on the Company's competitive position and capital spending, as well as estimated major environmental protection capital expenditures in the next two years: none.

## 5. Employer/employee relationship

1. Company's employee benefits and retirement system and their implementation, as well as the employer/employee agreement status:

(1) Benefits:

The Company's employee-benefit-related measures are as follows:

- ① Issue performance bonuses according to operating conditions.
- ② Funeral/wedding, work injury, hospitalization subsidies and Labor Day bonuses.
- ③ Handle labor insurance, health insurance and relevant insurance for dependents.
- ④ Hold employee travel and issue employee birthday bonus.
- ⑤ Year-end banquet and lottery.
- ⑥ Engage in industry-academia cooperation and encourage employees to learn while on the job.

- (2) Education and training measures: fixed schedule training courses that provide professional personnel with career training and continual education.

(3) Retirement system:

The Company has established an Employee Retirement Monetary Fund Oversight Committee according to the Labor Standard Act and has regularly set aside regular monthly pensions that are saved in a Central Trust of China retirement account. To respond to the new retirement system, the Company will appropriate 6% to employee personal accounts.

(4) Employer/employee agreements:

The Company is subject to the Labor Standards Act, and all operations conform thereto. As of the printing of this annual report, there have been no employer/employee disputes.

2. The Company's losses and total fines as a result of employer/employee disputes within the last two years through the printing of this annual report. Disclose current and future estimated monetary amount and response measures. If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.

## 6. Important contracts

Nature of contract	Party	Contract start elected	Main content	Restrictive terms
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Land lease	Li Wu-Yi and five others	2010/02/01~2040/02/01	Real estate leasing (Yanchao plant land)	None
Taiwan Sugar Corporation land setting aboveground rights agreement	Taiwan Sugar Corporation	Jan.2014~Jan.2024	Real estate aboveground property right	When the aboveground lease is up, renewal shall be through mutual agreement and after royalty payments, and cannot exceed 50 years (accumulated).



## VI. Financial summary

### 1. Concise financial data from the last five years

#### (1) Concise asset balance sheet and Comprehensive Income

##### i. Concise asset balance sheet—consolidated

Unit: Thousand NT\$

Year		Financial data in the last five years (note 3)					2022/3/31
		2017/12/31	2018/12/31	2019/12/31	2020/12/31	2021/12/31	Financial data (note 4)
Current assets		3,795,683	4,029,732	4,140,415	4,871,089	4,310,601	4,011,484
Property, plant and equipment		2,160,933	2,392,496	4,366,569	4,849,793	4,975,674	5,188,928
Intangible assets		1,819	1,201	351	326	165	128
Other assets		795,403	1,696,061	1,029,750	1,157,773	1,263,527	1,166,886
Total assets		6,753,838	8,119,490	9,537,085	10,878,981	10,549,967	10,367,426
Current liabilities	before distribution	2,529,425	2,752,292	3,335,224	3,843,726	3,837,317	3,958,946
	after distribution	2,856,125	3,115,292	3,661,924	3,930,846	note1	note2
Noncurrent liabilities		1,351,065	2,301,195	3,096,296	2,767,004	3,223,666	2,803,651
Total liabilities	before distribution	3,880,490	5,053,487	6,431,520	6,610,730	7,060,983	6,762,597
	after distribution	4,207,190	5,416,487	6,758,220	7,481,930	note1	note2
Owners equity		2,873,348	3,066,003	3,105,565	4,268,251	3,488,984	3,604,829
Capital		726,000	726,000	726,000	726,000	726,000	726,000
Capital surplus		453,467	453,467	453,467	453,467	453,467	453,467
Retained earnings	before distribution	1,887,082	2,151,473	2,308,629	3,438,552	2,685,346	2,697,123
	after distribution	1,560,382	1,788,473	1,981,929	2,567,352	note1	note2
Other equity		(193,201)	(264,937)	(382,531)	(349,768)	(375,829)	(271,761)
Treasury stock		-	-	-	-	-	-
Non-control equity		-	-	-	-	-	-
Total equity	before distribution	2,873,348	3,066,003	3,105,565	4,268,251	3,488,984	3,604,829
	after distribution	2,546,648	2,703,003	2,778,865	note1	note1	note2

(Note 1) The 2021 profit distribution is waiting for approval at the shareholders' meeting.

(Note 2) As of May 12, 2022, the 2021 profit distribution proposal has not been proposed by the shareholders' meeting. Therefore, the amount after distribution is not listed.

(Note 3) The aforementioned financial data figures were audited by certified public accountants.

(Note 4) CPAs reviewed the financial statements as of March 31, 2022.

## 2. Concise consolidated income statement—consolidated

Unit: except for earnings per share, which is indicated in 1 NT\$, the remainder is in NT\$1000.

Item \ Year	Financial data in the last five years (note 1)					2022/3/31
	2017/12/31	2018/12/31	2019/12/31	2020/12/31	2021/12/31	Financial data (note 2)
Net sales	6,433,820	6,786,338	6,546,829	9,371,410	6,784,152	1,294,987
Gross profit	1,230,651	1,275,748	1,237,303	2,745,131	916,176	125,130
Operating profit	732,508	797,304	720,489	2,076,654	263,638	(21,269)
Other non-operating income and expenses	(12,251)	76,959	70,260	84,066	(13,401)	39,181
Income before income tax	720,257	874,263	790,749	1,992,588	250,237	17,912
Income from continuing operations	541,377	592,766	526,005	1,453,723	117,268	11,777
Net income	541,377	592,766	526,005	1,453,723	117,268	11,777
Other comprehensive income(loss)	(41,160)	(73,411)	(123,443)	35,663	(25,335)	104,068
Total comprehensive income(loss)	500,217	519,355	402,562	1,489,386	91,933	115,845
Net income attributable to owner of parent	541,377	592,766	526,005	1,453,723	117,268	11,777
Net income attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income attributable to owner of parent	500,217	519,355	402,562	1,489,386	91,933	115,845
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share (After retroactive adjustment)	7.46	8.16	7.25	20.02	1.62	0.16

(Note 1) The aforementioned financial data have been audited by CPAs.

(Note 2) CPAs reviewed the financial statements as of March 31, 2022.

### 3. Concise balance sheet—the parent company only

Unit: NT\$1000

Year		Financial data in the last five years (note 2)				
		2017/12/31	2018/12/31	2019/12/31	2020/12/31	2021/12/31
Item						
Current assets		1,145,757	1,299,896	1,277,277	2,055,043	1,499,782
Property, plant and equipment		757,474	1,060,735	2,925,906	3,337,535	3,478,901
Intangible assets		-	-	-	-	-
Other assets		3,754,369	5,092,361	4,610,844	5,106,455	5,290,429
Total assets		5,657,600	7,452,992	8,814,027	10,499,033	10,269,112
Current liabilities	before distribution	1,689,809	1,819,558	2,613,113	3,464,782	3,558,452
	after distribution	2,016,509	2,182,558	2,939,813	4,335,982	Note1
Noncurrent liabilities		1,094,443	2,567,431	3,095,349	2,766,000	3,221,676
Total liabilities	before distribution	2,784,252	4,386,989	5,708,462	6,230,782	6,780,128
	after distribution	3,110,952	4,749,989	6,035,162	7,101,982	Note1
Owners equity		2,873,348	3,066,003	3,105,565	4,268,251	3,488,984
Capital		726,000	726,000	726,000	726,000	726,000
Capital surplus		453,467	453,467	453,467	453,467	453,467
Retained earnings	before distribution	1,887,082	2,151,473	2,308,629	2,308,629	2,685,346
	after distribution	1,560,382	1,788,473	1,981,928	1,437,429	Note1
Other equity		(193,201)	(264,937)	(382,531)	(349,768)	(375,829)
Treasury stock		-	-	-	-	-
Non-control equity		-	-	-	-	-
Total equity	before distribution	2,873,348	3,066,003	3,105,565	4,268,251	3,488,984
	after distribution	2,546,648	2,703,003	2,778,865	3,397,051	Note1

(Note 1) The 2021 profit distribution is waiting for approval at the shareholders' meeting.

(Note 2) The aforementioned financial data have been audited by CPAs.

#### 4. Concise consolidated income statement - the parent company only

Unit: except for earnings per share, which is indicated in 1 NT\$, the remainder is in NT\$1000.

Year Item	Financial data in the last five years (note 1)				
	2017/12/31	2018/12/31	2019/12/31	2020/12/31	2021/12/31
Net sales	3,001,485	3,150,067	3,032,462	5,176,171	3,215,624
Gross profit	378,895	428,638	423,431	1,556,415	157,833
Operating profit	197,094	223,382	177,935	1,187,869	(138,409)
Other non-operating income and expenses	380,262	428,340	390,632	483,458	223,212
Income before income tax	577,356	651,722	568,567	1,671,327	84,803
Income from continuing operations	541,377	592,766	526,005	1,453,723	117,268
Net income	541,377	592,766	526,005	1,453,723	117,268
Other comprehensive income(loss)	(41,160)	(73,411)	(123,443)	35,663	(25,335)
Total comprehensive income(loss)	500,217	519,355	402,562	1,489,386	91,933
Net income attributable to owner of parent	541,377	592,766	526,005	1,453,723	117,268
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owner of parent	500,217	519,355	402,562	1,489,386	91,933
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (After retroactive adjustment)	7.46	8.16	7.25	20.02	1.62

(Note 1) The aforementioned financial data have been audited by CPAs.

## 2. Financial analysis

### (1) Financial analysis— IFRSs (consolidated)

Item analyzed	Year	Financial analysis in the last five years					As of
		2017	2018	2019	2020	2021	2022/3/31
Financial structure (%)	Liability to asset ratio	57.46	62.24	67.44	60.77	66.93	65.23
	Long-term capital as a proportion of fixed assets	195.49	224.33	237.00	145.06	134.91	123.50
Debt repayment Capacity %	Current ratio	150.06	146.41	124.14	126.73	112.33	101.33
	Quick ratio	97.89	95.82	84.99	86.33	82.97	73.00
	Interest coverage (times)	49.49	57.06	27.94	56.15	8.52	2.91
Operation Capacity	Receivables turnover (times)	4.74	4.80	4.71	6.51	4.62	4.25 (Note1)
	Average collection days	77.00	76.00	77.00	56.07	79.00	86.00 (Note1)
	Inventory turnover (times)	5.50	5.50	5.41	6.01	5.52	5.17 (Note1)
	Payables turnover (times)	4.83	4.90	4.49	6.07	5.61	4.65 (Note1)
	Average inventory turnover days	66.00	66.00	67.00	60.73	66.12	71.00 (Note1)
	Fixed asset turnover (times)	3.24	2.98	2.61	2.51	1.38	1.02 (Note1)
	Total asset turnover (times)	1.06	0.91	0.74	0.92	0.63	0.50 (Note1)
Profitability	Asset rate of return (%)	9.10	8.11	6.18	14.50	1.24	0.78 (Note1)
	Return on equity (%)	19.35	19.96	17.05	39.43	3.02	1.41 (Note1)
	Percentage of income before income tax to paid-up capital (%) (note7)	99.21	120.42	108.92	274.46	34.47	2.47
	Net profit ratio (%)	8.41	8.73	8.03	15.51	1.73	0.91
	Earnings per share (NT\$)	7.46	8.16	7.25	20.02	1.62	0.16
Cash Flow	Cash flow ratio (%)	30.32	33.81	23.69	41.37	24.99	40.17
	Cash flow adequacy ratio (%)	82.10	69.57	66.15	75.63	63.43	86.45
	Cash reinvestment ratio (%)	6.39	7.62	4.77	12.49	0.86	15.78
Degree of leverages	Degree of operating leverage	1.62	1.54	1.52	1.28	3.41	(6.75)
	Degree of financial leverage	1.02	1.02	1.04	1.02	1.14	0.69

The changes of financial ratio of the last two years:

1. Because of discount and commission in 2021 Q1, Epidemic prevention products sales price in 2021 less than 2020, material and shipment charges increased, profit in 2021 was not as expected.
2. Interest coverage and profitability related rate go down because of profit decreased in 2021.
3. The remaining financial ratios had no important changes.

(Note 1) This financial analysis has been converted for the entire year.

(Note 2) All financial ratios have been calculated according to the financial statement audited by CPAs.

(2) Financial analysis— IFRSs (parent company only)

Item analyzed		Year	Financial analysis in the last five years				
			2017	2018	2019	2020	2021
Financial structure (%)	Liability to asset ratio		49.21	58.86	64.77	59.35	66.02
	Long-term capital as a proportion of fixed assets		523.82	531.09	542.20	210.76	192.90
Debt repayment Capacity %	Current ratio		67.80	71.44	48.88	59.31	42.15
	Quick ratio		42.42	42.03	26.89	39.69	26.99
	Interest coverage (times)		53.02	42.81	15.58	34.84	2.99
Operation Capacity	Receivables turnover (times)		6.43	6.49	5.66	8.16	5.19
	Average collection days		57.00	56.00	64.00	45.00	70.00
	Inventory turnover (times)		8.20	8.18	6.81	8.14	7.41
	Payables turnover (times)		6.43	5.61	6.84	9.99	11.62
	Average inventory turnover days		45.00	45.00	54.00	45.00	49.00
	Fixed asset turnover (times)		5.75	4.64	3.19	2.35	1.39
	Total asset turnover (times)		0.62	0.53	0.42	0.58	0.34
Operation Capacity	Asset rate of return (%)		10.91	9.26	6.91	15.50	1.70
	Return on equity (%)		19.35	19.96	17.05	39.43	3.02
	Percentage of income before income tax to paid-up capital (%) (note7)		79.53	89.77	78.32	230.21	11.68
	Net profit ratio (%)		18.04	18.82	17.35	28.08	3.65
	Earnings per share (NT\$)		7.46	8.16	7.25	20.02	1.62
Cash Flow	Cash flow ratio (%)		12.65	4.16	4.28	35.58	6.24
	Cash flow adequacy ratio (%)		39.97	24.61	17.10	26.79	25.13
	Cash reinvestment ratio (%)		(2.69)	(3.74)	(2.93)	10.80	(9.67)
Degree of leverages	Degree of operating leverage		1.70	1.69	1.77	1.28	(1.95)
	Degree of financial leverage		1.06	1.08	1.28	1.04	0.76

The changes of financial ratio of the last two years:

1. Because of discount and commission in 2021 Q1, Epidemic prevention products sales price in 2021 less than 2020, material and shipment charges increased, profit in 2021 was not as expected.
2. Interest coverage and profitability related rate go down because of profit decreased in 2021.
3. The remaining financial ratios had no important changes.

Note: All financial ratios have been calculated according to the financial statement audited by CPAs.

**The financial analysis calculation formula is as follows:**

1. Financial structure

(1) Liability to asset ratio = Total liabilities / Total assets.

(2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities) / (Total net value of property, plant, and equipment).

2. Debt-paying ability

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current asset – inventories) / Current liabilities.

(3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.

3. Operating ability

(1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).

(2) Average collection days = 365 / Receivables turnover ratio.

(3) Inventory turnover ratio = Cost of sales / Average inventory value.

(4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).

(5) Average inventory turnover days = 365 / Inventory turnover ratio.

(6) Property, plant, and equipment (PP&E) turnover ratio = Net sales/Average value of PP&E

(7) Total inventory turnover rate = Net sales / Average total asset value.

4. Return on investments

(1) Return on assets (ROA) = [ Gain (loss) after tax + Interest expenses × (1 – interest rates)] / Average total asset value.

(2) Return on Equity (ROE) = Gain (loss) after tax / Average total equity value.

(3) Net profit rate = Gain (loss) after tax / Net sales.

(4) Earnings per share (EPS) = (Gain (loss) attributable to the owner of the parent company – dividends of preferred shares) / Weighted average of outstanding shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash flow of business activities / Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years / (Capital expenditure + inventory increase + cash dividends) for the 5 most recent years.

(3) Cash reinvestment ratio = (Net cash flow for business activities – cash dividends) / (Gross value of PP&E + Long-term investments + Other non-current assets + business capital). (Note 5)

6. Degrees of leverage

(1) Degree of operating leverage (DOL) = (Net operating revenue – operating change costs and expenses) / Operating profit (Note 6).

(2) Degree of financial leverage (DFL) = Operating profit / (Operating profit – interest expenses).

**(3) Name of the CPA in the last 5 years and audit opinions**

Year	Accounting firms	Name of the CPA	Audit opinions
2017	Yangtze CPAs & Co.	Wang Shu-Tung, Hu, Hsiang-Ning	No reservations
2018	Yangtze CPAs & Co.	Wang Shu-Tung, Hu, Hsiang-Ning	No reservations
2019	Yangtze CPAs & Co.	Hu, Hsiang-Ning, Lin Szu-Ning	No reservations
2020	PricewaterhouseCoopers Taiwan	Tzu-Shu Lin, Chung-Yu Tien	No reservations
2021	PricewaterhouseCoopers Taiwan	Tzu-Shu Lin, Chung-Yu Tien	No reservations

3. Audit Committee's Review Report of the 2021 (Please refer to page 105)

4. 2021 Independent Auditors' Report, consolidated financial statements, and notes:

Please refer to page 106~162.

5. 2021 Independent Auditors' Report, Parent Company Only financial statements, and notes:

Please refer to page 163~240.

6. Any financial difficulties experienced by the Company and its affiliated businesses during the most recent year up to the publication date of this report as well as the impact of said difficulties on the financial condition of The Company: None.



## VII. Discussion and analysis of financial data and management results, as well as risk management.

### 1. Financial condition

#### Review and analysis of financial data

(1) Financial data analysis —consolidated

Unit: Thousand NT\$

Item \ Year	2021/12/31	2020/12/31	Difference	
			amount	%
Current assets	4,310,601	4,871,089	(560,488)	(11.51)
Property, plant and equipment	4,975,674	4,849,793	125,881	2.60
Intangible assets	165	326	(161)	(49.39)
Other assets	1,263,527	1,157,773	105,754	9.13
Total assets	10,549,967	10,878,981	(329,014)	(3.02)
Current liabilities	3,837,317	3,843,726	(6,409)	(0.17)
Noncurrent liabilities	3,223,666	2,767,004	456,662	16.50
Total liabilities	7,060,983	6,610,730	450,253	6.81
Capital	726,000	726,000	0	0.00
Capital surplus	453,467	453,467	0	0.00
Retained earnings	2,685,346	3,438,552	(753,206)	(21.90)
Other equity	(375,829)	(349,768)	(26,061)	7.45
Total equity	3,488,984	4,268,251	(779,267)	(18.26)

The changes of Assets, liabilities and equity of the last two years (the change ratio is over 20% and change amount is more than NTD 10,000 thousand):

1. Current assets: Because inventory decreased 402 million in 2021 and Accounts receivable decreased 119 million. Current assets decreased.
2. Retained earnings, Total equity: Because of discount and commission in 2021 Q1, Epidemic prevention products sales price in 2021 less than 2020, material and shipment charges increased, industry competition fiercely, profit in 2021 was not as expected.
3. The above changes were normal operation. There is no important effect to the Company finance.

## (2) Financial data analysis —Parent Company Only

Unit: Thousand NT\$

Item \ Year	2021	2020	Difference	
			amount	%
Current assets	1,499,782	2,055,043	(555,261)	(27.02)
Investment at equity	4,644,724	4,456,705	188,019	4.22
Property, plant and equipment	3,478,901	3,337,535	141,366	4.24
Other assets	645,705	649,750	(4,045)	(0.62)
Total assets	10,269,112	10,499,033	(229,921)	(2.19)
Current liabilities	3,558,452	3,464,782	93,670	2.70
Noncurrent liabilities	3,221,676	2,766,000	455,676	16.47
Total liabilities	6,780,128	6,230,782	549,346	8.82
Capital	726,000	726,000	0	0.00
Capital surplus	453,467	453,467	0	0.00
Retained earnings	2,685,346	3,438,552	(753,206)	(21.90)
Other equity	(375,829)	(349,768)	(26,061)	7.45
Total equity	3,488,984	4,268,251	(779,267)	(18.26)

The changes of Assets, liabilities and equity of the last two years (the change ratio is over 20% and change amount is more than NTD 10,000 thousand):

1. Current assets: Because Accounts receivable decreased 260 million, Inventories decreased 138 million in 2021, Current assets decreased.
2. Noncurrent liabilities: Increasing Long-term liabilities 480 million.
3. Retained earnings, Total equity: Because of discount and commission in 2021 Q1, Epidemic prevention products sales price in 2021 less than 2020, material and shipment charges increased, industry competition fiercely, profit in 2021 was not as expected.
4. The above changes were normal operation. There is no important effect to the Company finance.

## 2. Operating results

### (1) Comparative analysis of operating results—consolidated

Unit: Thousand NT\$

Item	Year		Change amount	Changes(%)
	2021	2020		
Net sales	6,784,152	9,371,410	(2,587,258)	(27.61)
Operating costs	5,867,976	6,626,279	(758,303)	(11.44)
Gross profit	916,176	2,745,131	(1,828,955)	(66.63)
Total operating expenses	652,538	668,477	(15,939)	(2.38)
Operating profit	263,638	2,076,654	(1,813,016)	(87.30)
Non-operating income and expenses	(13,401)	(84,066)	70,665	(84.06)
Profit before income tax	250,237	1,992,588	(1,742,351)	(87.44)
Income tax expense	132,969	538,865	(405,896)	(75.32)
Net income	117,268	1,453,723	(1,336,455)	(91.93)
Other comprehensive income(loss)	(25,335)	35,663	(60,998)	(171.04)
Total comprehensive income(loss)	91,933	1,489,386	(1,397,453)	(93.83)

Description of the change ratio is over 20% and change amount is more than NTD 10,000 thousand:

1. Net sales, Gross profit, Operating profit, Profit before income tax, Income tax expense, Net income, Total comprehensive income: Because of discount and commission in 2021 Q1, Epidemic prevention products sales price in 2021 less than 2020, material and shipment charges increased, industry competition fiercely, profit in 2021 was not as expected.
2. Non-operating income and expenses: Because Foreign currency exchange losses decrease 86 million.
3. Other comprehensive income (loss): Because of changes in financial statements translation differences for foreign operations increase.

The above changes were normal operation. There is no important effect to the Company finance.

(2) Comparative analysis of operating results—Parent Company Only

Unit: Thousand NT\$

Item \ Year	2021	2020	Change amount	Changes(%)
Net sales	3,215,624	5,176,171	(1,960,547)	(37.88)
Operating costs	3,057,791	3,619,756	(561,965)	(15.52)
Gross profit	157,833	1,556,415	(1,398,582)	(89.86)
Total operating expenses	296,242	371,591	(75,349)	(20.28)
Operating profit	(138,409)	1,187,869	(1,326,278)	(111.65)
Non-operating income and expenses	223,212	483,458	(260,246)	(53.83)
Profit before income tax	84,803	1,671,327	(1,586,524)	(94.93)
Income tax expense	(32,465)	217,604	(250,069)	(114.92)
Net income	117,268	1,453,723	(1,336,455)	(91.93)
Other comprehensive income(loss)	(25,335)	35,663	(60,998)	(171.04)
Total comprehensive income(loss)	91,933	1,489,386	(1,397,453)	(93.83)

(Note): Unrealized revenue (profit) on transactions with associates

Description of the change ratio is over 20% and change amount is more than NTD 10,000 thousand:

1. Net sales, Operating costs, Gross profit, operating expenses, Operating profit, Profit before income tax, Income tax expense, Net income, Total comprehensive income: Because of discount and commission in 2021 Q1, Epidemic prevention products sales price in 2021 less than 2020, material and shipment charges increased, industry competition fiercely, profit in 2021 was not as expected.
2. Non-operating income and expenses: Because of changes in USD to NTD exchange rate, foreign currency exchange profit increased.
3. Other comprehensive income (loss): Because of changes in financial statements translation differences for foreign operations increase.

The above changes were normal operation. There is no important effect to the Company finance.

- (3) Expected sales volume and its basis, its possible effects on the Company's future finances, and response plan: not applicable.

### 3. Cash flow

#### 1. Analysis of change in cash flow for the recent year—consolidated

Unit: Thousand NT\$

Items	2021	2020	Changes
Net cash flow from operating activities	958,783	1,590,152	-65.85%
Net cash flow from investing activities	(733,087)	(980,953)	-33.81%
Net cash flow from financing activities	(138,080)	(279,213)	-102.21%
Data source: financial statements audited by CPAs			
Analysis of the changes in cash flow :			
(1) Net cash flow from operating activities decreased because of sales, account receivable and inventory decreased in 2021.			
(2) Net cash outflow from investing activities decreased because of capital expenditures decreased 290 million..			
(3) Net cash outflow from financing activities decreased because of borrowing from bank increased.			

#### 2. Analysis of changes in cash flow for the most recent year—Parent Company Only

Unit: Thousand NT\$

Items	2021	2020	Changes
Net cash flow from operating activities	222,224	1,224,510	89.82%
Net cash flow from investing activities	(332,578)	(751,579)	12.84%
Net cash flow from financing activities	61,452	(100,950)	-373.88%
Data source: financial statements audited by CPAs.			
Analysis of the changes in cash flow:			
(1) Net cash flow from operating activities decreased because of sales, account receivable and inventory decreased in 2021.			
(2) Net cash outflow from investing activities decreased because of capital expenditures decreased.			
(3) Net cash outflow from financing activities decreased because of borrowing from bank increased.			

#### 3. Liquidity improvement program: not applicable.

#### 4. Analysis of cash flow for the next year—consolidated

Unit: Thousand NT\$

Cash at the beginning of the period A	Expected net cash flow from operating activities for the next year	Expected cash flows for the year C	Projected cash surplus (deficiency) A+B-C	Remedial measures for expected cash inadequacy	
				Investment plan	Capital increase planned
1,777,362	855,101	886,200	1,746,263	—	—

Analysis description:

(1) Operating activities: Because industry competition fiercely, sale price can't increase, the expect company profit will roll back to non COVID-19 situation. Resulting in net cash inflow generated by operating activities.

(2) Investment activities: India plant build new factory and buy equipment, investment activities is cash out.

(3) Financing activities: repay long- and short-term loans according to the loan contract. Issuing of cash dividend results in financing activity net cash outflow.

(4) Remedial measures for projected cash shortfall: as analyzed above, annual cash surplus is expected.

#### 4. Material expenditures of the most recent year and impact on the Company's finances and operations

The Company's recent major capital expenditure for the investment of new fourth factory in Yanchao, investment is around NT\$ 700 million. The funding comes primarily from the Company's operating profit and Bank loans. There is no significant impact on the company's finances.

#### 5. Reinvestment policy for the most recent year, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year

(1) Reinvestment policy for the most recent year:

The Company's current reinvestment is through a Samoa holding company, and the investment is in the Pinghu City subsidiary company (of a subsidiary company). Because investment in Pinghu, China, was implemented early, the China reinvestment company showed a continuing profit growth in 2017 after many years of hard work and development. Strong future domestic Chinese demand is expected, and The Company is maintaining its high manufacturing quality and is appropriately expanding its business scale.

In response to the requests from the major customers, the company has evaluated the market demand and planned to set up a factory in India to supply its products and satisfy the demands of the local customers. The case has been approved by the board of directors on March 14, 2017 and the chairman of the board of directors has been authorized to handle the related matters. The total investment is US \$20 million (including working capital) and construction completed. India plant started to manufacture in 2022.

(2) Main reason for profit or loss, improvement plan, and the Company's reinvestment policy:

31 December 2021 Unit: Thousand NT\$

Reinvestment undertakings	Accumulated remittance Investment amount	Main reason for profits or losses	
		2021 investment profit	Description
NANLIU ENTERPRISE CO., LTD. (SAMOA)	1, 643, 224	204, 814	Operation normal, profit in good condition
Nanliu Enterprise (Pinghu) Ltd.	1, 846, 701	667, 518	Operation normal, profit in good condition
NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	373, 583	(36, 772)	Manufacturing.

NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED	284,350	(2,637)	Preparing
CHING-TSUN Biomedical Technology Co., Ltd	40,000	(734)	Preparing

**(3) Improvement plans and investment plans for the year ahead:**

A. Taiwan: according to the market situation, The Company estimates that there is potential for demand growth in personal hygiene material such as EDI pure water wet wipes, diapers, and sanitary napkins. Thus, The Company will continue to invest in this equipment to develop opportunities for cooperation with customers and increase The Company's operating income. To integrate the resources of The Company's various plants, The Company has leased land in the Yanchao District. In the future, the old factory will be moved to the new location. This will concentrate manpower and equipment resources to improve the Company's management efficiency.

B. China: The Company has established a subsidiary company Nanliu (Pinghu) Ltd. in China to handle relevant business. The Company purchase nonwoven machines and related equipment to meet China customers' demand.

C. India: In response to the requests from the major customers and the future of local market, the case has been approved by the board of directors. The Company will setup nonwoven plant in India to provide local customer material demand. The India plant construction completed. India plant started to manufacture in 2022.

(6) Other important matters: none.

**6. Risk management assessment and analysis:**

(1) Changes to interest rates, currency exchange fluctuations, and inflation within the last year and how these may impact The Company's gain or loss, as well as future response measures.

1. Changes in interest rates and resulting impact to The Company's gain or loss as well as future response measures:

The Company's long-term and short-term bank loan rate in 2021 was around 0.095% to 1.10%. In recent years, market interest rates have been low, which is beneficial to the Company when negotiating financing interest rates. The company's investment in new Yanchao plant required currency is NT\$. And it is estimated that Taiwan's Central Bank will maintain the current standard for future long-term interest rates. The Company's Finance Department specialists will periodically or regularly assess bank lending rates and pay attention to changes in the international and domestic financial markets. Finance personnel will also maintain close contact with banks to obtain more favorable lending rates and ample credit.

2. Currency exchange fluctuations and resulting impact on The Company's gain or loss as well as future response measures

The Company's major markets cover the United States and Japan, and the export ratio is more than 50%. Thus, changes in exchange rates have a significant impact on the Company's profit and loss. The Company's main production raw materials, such as rayon, polyester fiber and polypropylene, are mostly procured from foreign suppliers. The intake and expenditure of the same currency produces an offset and has a natural hedging effect on exchange rate changes. To avoid the potential impact of exchange rate fluctuations on profit, the Company has taken the following response measures:

① Foreign currency assets and liabilities offset

Foreign currencies accepted as payment for export are used to directly pay for imports to reduce exchange differences produced by foreign exchange transactions.

② Collect exchange rate change information at all times to fully grasp exchange rate trends. This is used to determine the time for converting foreign currency to NT\$ or retained foreign currency in a foreign exchange account.

③ Improve the quality and added value of products to adequately reflect exchange rate fluctuation in the cost and adjusted prices.

3. Effects of inflation on the Company's profit and loss.

In recent years, the global economic system has raised up from the bottom. International oil prices have remained high. Domestic electricity price hikes have gradually resulted in price increases of basic everyday supplies and result in inflation concerns. The Company's procurement unit has rapidly responded to market fluctuations. Sales units have consulted with customers in a timely manner regarding costs. Thus, The Company's operations and losses (gains) in the last two years have not been seriously affected by inflation. In addition to boosting added value, The Company will continue efforts to reduce production costs to reduce negative effects of inflation on market demand.

(2) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, derivatives trading policies, main reasons for profits or losses in the last year, and future response measures.

The Company has not engaged in high-risk, highly leveraged investments and has not carried out derivative transactions. Lending to others, endorsements, and guarantees are handled according to policy and response measures set up in the “Operational Procedure of Governing Loaning of Funds and Making of Endorsements/Guarantees” and the “Operational Procedures for Endorsements and Guarantees”.

(3) Future research plan and expected research and development fee:

The Company is a professional nonwoven fabric producer and uses this as a core technology. We are gradually crossing over to downstream product applications such as sanitary material, medical supplies and beauty care items to diversify our products. To provide customers with the highest-quality grade of nonwoven products and follow the latest market trends, The Company's research and development team has spared no effort in improving production technology and research. The team has continually developed sanitary materials and beauty care products according to popular trends to lead the market and obtain opportunities. The Company expects to invest NT\$40,000 thousand in research and development in 2020. Development plans are as follows:

(1) Nonwoven fabric: medical, surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven fabric, biodegradable environmentally friendly nonwoven material, 3D surface nonwoven fabric, and industrial wipes.

(2) Biotechnology products: high-quality facial mask, high-quality skincare products, food grade collagen, plant placenta extract, emulsions, liquid cosmetics, and flushable wet towels.

(4) Changes to local and overseas policies and laws that impact the Company's financial operations, and response measures:

The Company's daily operations conform to relevant domestic and foreign laws. We always pay attention to foreign and domestic policy trends and changes in law to propose response measures in a timely manner. In the last year and as of the printing of this prospectus, there are no important domestic or international policy or law changes that affected the Company's financial operations.



- (5) Changes to technology and industry that impact the Company's financial operations, and response measures:

The products produced by The Company are nonwoven fabric and its application-related products. These are general consumer goods that have a wide range of use, including medical, cleaning, cosmetic, agricultural, and industrial use. These products have become indispensable base materials and have a certain annual market demand. Nonwoven fabric is an improvement of textiles. Different materials are blended or innovative processes are used to transform and produce products with different uses and functions. As technology and production technology evolve, application of nonwoven fabric becomes broader and is gradually replacing conventional textile. The Company has spared no effort in grasping product trends. The objective is to meet customer's design or pioneer new product markets. Thus, technology and industrial change are the power and opportunity that drive The Company's business development.

- (6) Changes to corporate image that impact the Company's risk management, and response measures:

The Company always adheres to professional and honest business principles and value the importance of risk management and corporate image. We work hard to achieve worker solidarity and gain recognition from our customers. In the last year and as of the printing of this prospectus, The Company has not encountered any corporate image changes that have caused a corporate crisis.

- (7) Anticipated benefits of mergers and possible risks:

The Company currently has no plans to acquire another company.

- (8) Anticipated benefits and possible risks of plant expansion:

The Company has considered that there is still considerable growth space in the hygiene and beauty care market, that the demand in the Chinese market is large, and that demand for hygiene products is increasing because people's standard of living has improved. Thus, The Company expects to continue procuring related equipment. The objective is not only to develop local customers and increase overall operating scale but also to increase production capacity and establish classification planning. The most appropriate operating cost can be arranged according to product demand, which can increase product production benefits.

- (9) Purchase or sale concentration risks:

A. Purchase concentration risk:

The primary material sources for The Company's product are stable and sufficient. These materials are large quantity materials with adequate capacity. There is a variety of supplier choices, and The Company has a stable annual procurement volume. The Company maintains a good relationship with suppliers, so there is no purchase concentration risk.

B. Sales concentration risk

The Company's main products include hot-air/hot-pressed nonwoven fabric, spunlace nonwoven fabric, and hygiene and beauty care products. Main applications include baby diaper and sanitary napkin surface material, medical sanitary materials, and personal hygiene sanitary materials. Our product lines are diversified, and our customer base covers Europe, America, Japan and China. The Company maintains a good and cooperative relationships with our major customers. The main target group includes well-known sanitation materials manufacturers and domestic and foreign agents. Our customer base is distributed, and our largest customer does not account for more than 20% of sales. Thus, there is no sales concentration risk.

- (10) Impact and risks resulting from major equity transfer or change by Directors, supervisors, or shareholders holding more than 10% of the Company's shares.

In the last year through the printing of this annual report, there has been no major equity transfer or change by Directors, supervisor, or major shareholders who hold more than 10% of the Company's shares.

(11) Impact of change of operating rights on the Company and risks:

Last year through the printing of this annual report, the Company has had no operating rights changes.

(12) Litigation or non-lawsuit events: confirmed judgment, ongoing litigation, and non-litigation or administrative contention items that involve the Company, company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock shall be clearly listed. If the results could have a major effect on the Company's shareholders' equity or securities price, the relevant data should be disclosed:

- A. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices shall be disclosed. Disclosure includes disputed facts, amount, proceeding starting date, the main parties involved, and present status: none.
- B. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items involving company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices: none.
- C. Company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock that was involved with Securities Exchange Act Article 157 items, and the Company's current handling status, within the last two years through the printing of this annual report: none.

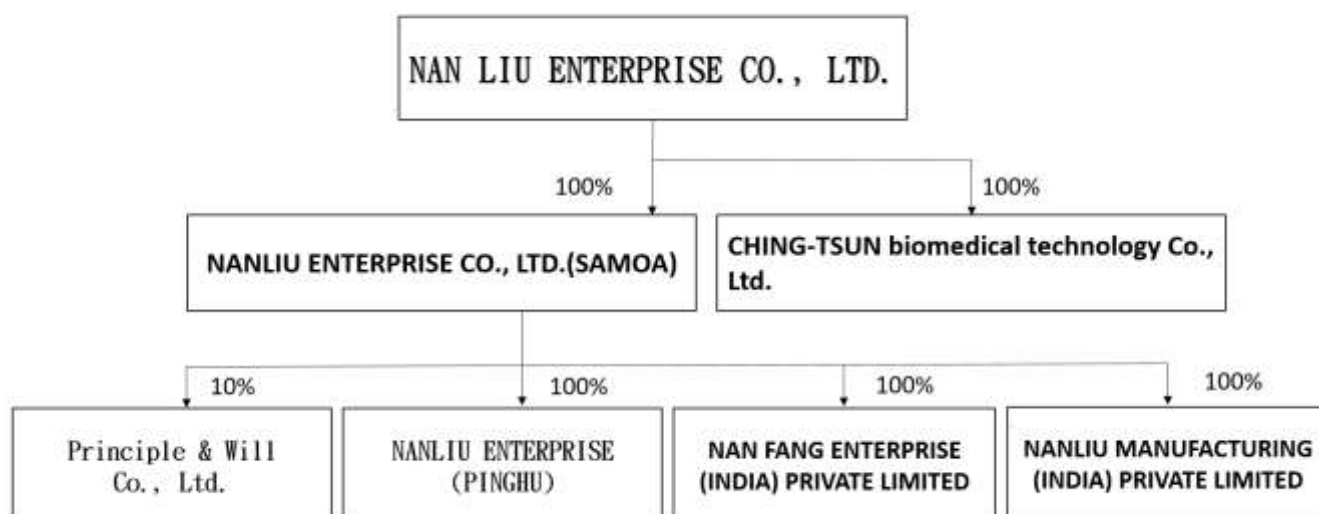
(13) Other important risks and response measures: None.

**7. Other important issues: None**

## VIII. Special items to be included:

### 1. Relevant data on affiliated businesses:

#### A. Organization structure of affiliated businesses



#### B. Relationship with affiliated companies and mutual holding of shares

December 31, 2020 Units: 1000 NT\$; 1000 shares

Name of affiliated company	Relationship with The Company	The Company's holding of affiliated company shares			Affiliated company's holding of The Company's shares		
		Percentage of shares	Number of shares	Actual investment amount	Percentage of shares	Number of shares	Actual investment amount
NANLIU ENTERPRISE CO., LTD (SAMOA)	The Company's subsidiary company	100%	52,948	1,643,224	0	0	0
Nanliu Enterprises (Pinghu) Ltd.	Subsidiary company of the Company's subsidiary company	100%	0	1,846,701	0	0	0
NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED	Subsidiary company of the Company's subsidiary company	100%	93,800	373,583	0	0	0
NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED	Subsidiary company of the Company's subsidiary company	100%	75,000	284,350	0	0	0
CHING-TSUN Biomedical Technology Co., Ltd	Subsidiary company of the Company's subsidiary company	100%	4,000	40,000	0	0	0

#### C. Affiliated company consolidated financial statements:

For 2021 (January 1 to December 31, 2021), affiliated businesses of The Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by International Financial Reporting Standards No. 7. All information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated

businesses were not generated separately.

2. Privately placed securities handling status in the past year through the printing of this annual report shall disclose the date and amount passed by the shareholders' meeting or the Board of Directors, price setting basis and rationale, selection method for specific people, necessary reason for organizing private placement, and the completion of the fund application plan after monies and proceeds are fully collected. Fund application status in privately placed securities and plan implementation progress: no such situation.
  3. Holding or disposal of subsidiary company shares in the last year through the publication date of this report. None
  4. Legal penalization of The Company, penalization of internal personnel by The Company, major deficiencies, and improved situation within the last year through the printing of this annual report: none
  5. Other supplemental items that must clarified: None.
- IX. Any event that resulted in substantial impact upon the shareholders' equity or prices of the Company's securities as prescribed by Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act that have occurred in the most recent year through the printing date of this report: None.

**Nan Liu Enterprise Co., Ltd.**  
**Audit Committee's Review Report**  
(Translation)

The Board of Directors has prepared the Company's 2021 Business Report, consolidated Financial Statements. The financial statements includes Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows. The Financial Statements have been audited by external auditors Tzu-Shu Lin and Chung-Yu Tien of PricewaterhouseCoopers Taiwan, and an opinion and report have been issued on the Financial Statements.

Audit Committee is responsible for overseeing the financial reporting process.

When auditing the 2021 financial Statements, the auditing CPA communicated with Audit Committee about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the Audit Committee of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :  
The Company's 2022 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.  
Chairman of the Audit Committee : Huang, Tung-Rung  
On the Date of March 15, 2022

## 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 consolidated balance sheets of Nan Liu Enterprise Co., Ltd. and subsidiaries (the "Group") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

## **Existence of sales revenue**

### Description

Refer to Note 4(25) for accounting policies on revenue recognition and Note 6(17) for details of operating revenue. The Group's operating revenues for the year ended December 31, 2021 was NT\$6,784,152 thousand.

The Group's sales revenue mainly arose from sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. As the Group 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(9) 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\$919,463 thousand and NT\$57,161 thousand, respectively.

The Group 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 Group's inventories are stated at the lower of cost and net realisable value. The Group 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.

### **Other matter – Parent company only financial reports**

We have audited and expressed an unmodified opinion on the parent company only financial statements of Nan Liu Enterprise Co., Ltd. as of and for the years ended December 31, 2021 and 2020.

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

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

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

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

### **Auditors' responsibilities for the audit of the consolidated financial statements**

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



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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Tzu-Shu

Independent Auditors

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

March 15, 2022

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

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,777,362	17	\$ 1,688,968	15
1136	Financial assets at amortised cost - current	6(1)(2)	-	-	88,830	1
1150	Notes receivable, net	6(3) and 12	58,422	1	74,701	1
1170	Accounts receivable, net	6(3) and 12	1,342,758	13	1,461,335	13
1200	Other receivables		5,140	-	4,367	-
130X	Inventories	6(4)	862,302	8	1,264,712	12
1410	Prepayments		264,617	2	288,176	3
11XX	<b>Total current assets</b>		<u>4,310,601</u>	<u>41</u>	<u>4,871,089</u>	<u>45</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non- current	6(5)	84,130	1	84,130	1
1600	Property, plant and equipment	6(6)(8)(9) and 8	4,975,674	47	4,849,793	45
1755	Right-of-use assets	6(7)	543,762	5	565,446	5
1760	Investment property, net	6(6)(8)	30,427	-	16,397	-
1780	Intangible assets		165	-	326	-
1840	Deferred income tax assets	6(24)	55,318	-	29,209	-
1915	Prepayments for equipment	6(6)	376,585	4	293,598	3
1920	Guarantee deposits paid		71,889	1	56,576	-
1990	Other non-current assets	12	101,416	1	112,417	1
15XX	<b>Total non-current assets</b>		<u>6,239,366</u>	<u>59</u>	<u>6,007,892</u>	<u>55</u>
1XXX	<b>Total assets</b>		<u>\$ 10,549,967</u>	<u>100</u>	<u>\$ 10,878,981</u>	<u>100</u>

(Continued)

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10) and 7	\$ 1,948,900	19	\$ 1,667,000	15
2110	Short-term notes and bills payable	6(11)	89,984	1	-	-
2130	Contract liabilities - current	6(17)	20,151	-	51,144	-
2150	Notes payable		555,074	5	502,274	5
2170	Accounts payable		556,834	5	477,616	4
2200	Other payables		298,440	3	433,121	4
2230	Current income tax liabilities	6(24)	26,930	-	275,104	3
2280	Lease liabilities - current	6(7)	10,384	-	10,627	-
2320	Long-term liabilities, current portion	6(12), 7 and 8	330,620	3	426,840	4
21XX	<b>Total current liabilities</b>		<u>3,837,317</u>	<u>36</u>	<u>3,843,726</u>	<u>35</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(12), 7 and 8	2,787,601	26	2,303,049	21
2570	Deferred income tax liabilities	6(24)	10,964	-	7,650	-
2580	Lease liabilities - non-current	6(7)	378,587	4	388,042	4
2640	Net defined benefit liabilities - non-current	6(13)	45,515	1	67,259	1
2645	Guarantee deposits received		999	-	1,004	-
25XX	<b>Total non-current liabilities</b>		<u>3,223,666</u>	<u>31</u>	<u>2,767,004</u>	<u>26</u>
2XXX	<b>Total liabilities</b>		<u>7,060,983</u>	<u>67</u>	<u>6,610,730</u>	<u>61</u>
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Common stock	6(14)	726,000	7	726,000	7
3200	Capital surplus	6(15)	453,467	4	453,467	4
Retained earnings						
3310	Legal reserve		629,412	6	483,750	4
3320	Special reserve		382,531	4	382,531	3
3350	Unappropriated retained earnings		1,673,403	16	2,572,271	24
3400	Other equity interest		( 375,829)	( 4)	( 349,768)	( 3)
3XXX	<b>Total equity</b>		<u>3,488,984</u>	<u>33</u>	<u>4,268,251</u>	<u>39</u>
Contingent Liabilities and Commitments						
7 and 9						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 10,549,967</u>	<u>100</u>	<u>\$ 10,878,981</u>	<u>100</u>

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

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

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(17)	\$ 6,784,152	100	\$ 9,371,410	100
5000	Operating costs	6(4)(13)(22)(23) and 7	( 5,867,976)	( 86)	( 6,626,279)	( 70)
5900	Net operating margin		<u>916,176</u>	<u>14</u>	<u>2,745,131</u>	<u>30</u>
	Operating expenses	6(13)(22)(23), 7 and 12				
6100	Selling expenses		( 367,393)	( 5)	( 300,409)	( 3)
6200	General and administrative expenses		( 251,453)	( 4)	( 270,217)	( 3)
6300	Research and development expenses		( 65,609)	( 1)	( 66,257)	( 1)
6450	Expected credit gains (losses)		31,917	-	( 31,594)	-
6000	Total operating expenses		( 652,538)	( 10)	( 668,477)	( 7)
6900	Operating profit		<u>263,638</u>	<u>4</u>	<u>2,076,654</u>	<u>23</u>
	Non-operating income and expenses					
7100	Interest income	6(2)(18)	10,215	-	21,983	-
7010	Other income	6(19)	42,343	1	48,916	-
7020	Other gains and losses	6(20)(22) and 12	( 32,667)	-	( 118,834)	( 1)
7050	Finance costs	6(6)(7)(21) and 7	( 33,292)	( 1)	( 36,131)	-
7000	Total non-operating income and expenses		( 13,401)	-	( 84,066)	( 1)
7900	<b>Profit before income tax</b>		<u>250,237</u>	<u>4</u>	<u>1,992,588</u>	<u>22</u>
7950	Income tax expense	6(24)	( 132,969)	( 2)	( 538,865)	( 6)
8200	<b>Profit for the year</b>		<u>\$ 117,268</u>	<u>2</u>	<u>\$ 1,453,723</u>	<u>16</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Gains on remeasurements of defined benefit plans	6(13)	\$ 907	-	\$ 3,625	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	( 181)	-	( 725)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation		( 26,061)	( 1)	32,763	-
8300	<b>Other comprehensive (loss) income for the year</b>		<u>(\$ 25,335)</u>	<u>( 1)</u>	<u>\$ 35,663</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 91,933</u>	<u>1</u>	<u>\$ 1,489,386</u>	<u>16</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 117,268</u>	<u>2</u>	<u>\$ 1,453,723</u>	<u>16</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 91,933</u>	<u>1</u>	<u>\$ 1,489,386</u>	<u>16</u>
	Earnings per share (in dollars)	6(25)				
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 consolidated financial statements.

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

Notes	Equity attributable to owners of the parent					Other Equity Interest Exchange differences on translation of foreign financial statements	Total equity
	Share capital — common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>For the 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	-	-	-	-	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(16)	-	-	-	( 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	-	-	-	-	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(16)	-	-	-	( 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 consolidated financial statements.

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

	Notes	For the year ended December 31,	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 250,237	\$ 1,992,588
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit (gains) losses	12	( 31,917 )	31,594
(Reversal of allowance) provision for inventory market price decline	6(4)	( 5,323 )	15,242
Depreciation	6(6)(7)(8)(22)	490,636	410,362
Loss on disposal of property, plant and equipment	6(20)	4	1,262
Amortisation	6(22)	159	516
Amortisation of other non-current assets		31,723	25,747
Unrealised exchange gains of long-term borrowings	6(27)	( 16,929 )	( 9,086 )
Interest income	6(18)	( 10,215 )	( 21,983 )
Interest expense	6(21)	33,292	36,131
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		17,279	14,598
Accounts receivable		150,199	( 240,039 )
Other receivables		( 894 )	1,446
Inventories		407,902	( 336,747 )
Prepayments		23,559	76,038
Changes in operating liabilities			
Contract liabilities - current		( 30,993 )	37,907
Notes payable		53,457	( 151,051 )
Accounts payable		79,218	( 75,508 )
Other payables		( 67,991 )	87,104
Net defined benefit liabilities - non-current		( 20,837 )	( 7,040 )
Cash inflow generated from operations		1,352,566	1,889,081
Interest received		10,336	26,727
Income tax paid		( 404,119 )	( 334,742 )
Net cash flows from operating activities		<u>958,783</u>	<u>1,581,066</u>

(Continued)

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

	Notes	For the year 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	214,631
Cash paid for acquisition of financial assets at fair value through other comprehensive income	6(26)	( 84,130 )	-
Cash paid for acquisition of property, plant and equipment	6(26)	( 206,142 )	( 403,626 )
Interest paid for acquisition of property, plant and equipment	6(6)(21)(26)	-	( 1,540 )
Proceeds from disposal of property, plant and equipment		1,291	636
Acquisition of right-of-use assets		-	( 10,851 )
Increase in intangible assets		-	( 485 )
Increase in prepayments for equipment		( 496,719 )	( 589,527 )
Increase in guarantee deposits paid		( 15,313 )	( 16,167 )
Increase in other non-current assets		( 20,904 )	( 31,477 )
Net cash flows used in investing activities		( 733,087 )	( 980,953 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid		( 32,956 )	( 36,588 )
Increase in short-term borrowings	6(27)	281,900	297,000
Increase (decrease) in short-term notes and bills payable	6(27)	89,984	( 34,999 )
Payments of lease liabilities	6(27)	( 11,069 )	( 8,145 )
Increase in long-term borrowings	6(27)	1,625,685	2,548,111
Decrease in long-term borrowings	6(27)	( 1,220,424 )	( 2,708,806 )
Payment of cash dividends	6(16)	( 871,200 )	( 326,700 )
Net cash flows used in financing activities		( 138,080 )	( 270,127 )
Effect of foreign exchange rate changes		778	48,669
Net increase in cash and cash equivalents		88,394	378,655
Cash and cash equivalents at beginning of year	6(1)	1,688,968	1,310,313
Cash and cash equivalents at end of year	6(1)	\$ 1,777,362	\$ 1,688,968

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



NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 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 and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. For the subsidiaries’ scope of business, please refer to Note 4(3), ‘Basis of consolidation’.

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 15, 2021.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the financial assets at fair value through other comprehensive income and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the

historical cost convention.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of investors	Name of subsidiaries	Main business activities	Percentage owned by the Group (%)		Note
			December 31, 2021	December 31, 2020	
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Samoa) Co., Ltd.	General investment	100.00	100.00	—
Nan Liu Enterprise Co., Ltd.	Ching-Tsun Biomedical Technology Co., Ltd.	Research and development of health care and hygiene products as well as sales of skin care products	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Manufacturing (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nan Fang Enterprise (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	—	(Note)

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are 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'.

**B. Translation of foreign operations**

The financial performance and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

**(5) Classification of current and non-current items**

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

- (a) Assets arising from operating activities that are expected to be 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.

**(6) 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.**

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

(8) Notes and accounts receivable

- A. Notes and accounts receivable entitle the Group 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.

(9) 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.

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

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

(11) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group 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 Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is 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:

Asset	Useful lives		
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

(14) 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 Group. 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 Group 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.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. It is depreciated on a straight-line basis over its estimated useful life of 20 years.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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.



(18) 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.

(19) 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.

(20) Derecognition of financial liabilities

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

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

(22) 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 and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred 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 Group 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.

(23) 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.

(24) 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.

(25) Revenue recognition

A. Sales of goods

- (a) The Group 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 Group 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 Group 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 Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Government grants

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

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are

continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. The related information is addressed below:

(1) Critical judgements in applying the Group'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 Group 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 Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net 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 \$862,302.

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	\$ 3, 596	\$ 3, 078
Checking accounts and demand deposits	<u>1, 208, 258</u>	<u>1, 082, 034</u>
	<u>1, 211, 854</u>	<u>1, 085, 112</u>
Cash equivalents:		
Time deposits	<u>565, 508</u>	<u>603, 856</u>
	<u>\$ 1, 777, 362</u>	<u>\$ 1, 688, 968</u>

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

B. As of December 31, 2021 and 2020, the Group's time deposits maturing between three months and one year were reclassified as 'Financial assets at amortised cost - current' in the amount of \$— and \$88,830, respectively.

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

(2) Financial assets at amortised cost - current

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

A. The Group recognised interest income in profit or loss on financial assets at amortised cost amounting to \$602 and \$5,581 (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 Group was approximately its book value.
- C. The Group has no financial assets at amortised cost pledged to others as collateral as of December 31, 2021 and 2020.
- 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 60,199	\$ 77,478
Less: Allowance for uncollectible accounts	( 1,777)	( 2,777)
	<u>\$ 58,422</u>	<u>\$ 74,701</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 1,372,379	\$ 1,522,578
Less: Allowance for uncollectible accounts	( 29,621)	( 61,243)
	<u>\$ 1,342,758</u>	<u>\$ 1,461,335</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 55,604	\$ 1,181,487	\$ 66,666	\$ 1,316,670
Up to 60 days	4,595	185,195	10,812	170,413
61 to 90 days	-	250	-	15,951
91 to 180 days	-	1,828	-	16,569
Over 180 days	-	8,114	-	6,962
	<u>\$ 60,199</u>	<u>\$ 1,376,874</u>	<u>\$ 77,478</u>	<u>\$ 1,526,565</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 \$1,378,602.
- C. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was approximately its book value.
- D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

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

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 29,797	(\$ 3,232)	\$ 26,565
Raw materials	513,540	( 18,781)	494,759
Inventory in transit	21,610	-	21,610
Supplies	103,012	( 3,539)	99,473
Work in progress	11,917	( 5,280)	6,637
Finished goods	647,489	( 31,821)	615,668
	<u>\$ 1,327,365</u>	<u>(\$ 62,653)</u>	<u>\$ 1,264,712</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	\$ 5,713,580	\$ 6,553,373
Under-applied fixed manufacturing overhead	192,871	97,455
(Reversal of allowance) provision for inventory market price decline (Note)	( 5,323)	15,242
Loss on scrapped inventories	18,250	11,714
(Gain) loss on physical inventory	( 380)	743
Income from sale of scraps	( 51,022)	( 52,248)
	<u>\$ 5,867,976</u>	<u>\$ 6,626,279</u>

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

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

Items	December 31, 2021	December 31, 2020
Equity instruments		
Unlisted stocks	<u>\$ 84,130</u>	<u>\$ 84,130</u>

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

investment of the subsidiary of \$84,130 has been paid.

- B. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$85,026 and \$84,130 as of December 31, 2021 and 2020, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2021 and 2020.

(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	\$ 1,540,903	\$ 4,753,528	\$ 395,057	\$ 80,120	\$ 22,303	\$ 233,577	\$ 845,481	\$ 7,928,279
Accumulated depreciation	-	( 393,853)	( 2,349,069)	( 167,643)	( 43,613)	( 18,788)	( 95,707)	-	( 3,068,673)
Accumulated impairment	-	( 9,813)	-	-	-	-	-	-	( 9,813)
	<u>\$ 57,310</u>	<u>\$ 1,137,237</u>	<u>\$ 2,404,459</u>	<u>\$ 227,414</u>	<u>\$ 36,507</u>	<u>\$ 3,515</u>	<u>\$ 137,870</u>	<u>\$ 845,481</u>	<u>\$ 4,849,793</u>
<u>For the year ended December 31, 2021</u>									
At January 1	\$ 57,310	\$ 1,137,237	\$ 2,404,459	\$ 227,414	\$ 36,507	\$ 3,515	\$ 137,870	\$ 845,481	\$ 4,849,793
Additions-cost	-	5,385	\$ 48,946	19,810	4,300	552	23,139	120,457	222,589
Reclassification (Note)	4,180	84,400	96,982	18,683	4,350	123	10,880	179,191	398,789
Depreciation	-	( 56,722)	( 342,548)	( 34,507)	( 12,239)	( 955)	( 23,293)	-	( 470,264)
Disposals-cost	-	( 1,151)	( 3,826)	( 6,451)	( 5,089)	( 76)	( 1,054)	-	( 17,647)
-accumulated depreciation	-	674	3,513	6,032	5,042	74	1,017	-	16,352
Net exchange differences	-	( 2,701)	( 6,082)	( 198)	( 61)	( 14)	( 93)	( 14,789)	( 23,938)
At December 31	<u>\$ 61,490</u>	<u>\$ 1,167,122</u>	<u>\$ 2,201,444</u>	<u>\$ 230,783</u>	<u>\$ 32,810</u>	<u>\$ 3,219</u>	<u>\$ 148,466</u>	<u>\$ 1,130,340</u>	<u>\$ 4,975,674</u>
<u>December 31, 2021</u>									
Cost	\$ 61,490	\$ 1,625,700	\$ 4,834,255	\$ 426,361	\$ 83,489	\$ 22,857	\$ 266,253	\$ 1,130,340	\$ 8,450,745
Accumulated depreciation	-	( \$ 448,765)	( 2,632,811)	( 195,578)	( 50,679)	( 19,638)	( 117,787)	-	( 3,465,258)
Accumulated impairment	-	( 9,813)	-	-	-	-	-	-	( 9,813)
	<u>\$ 61,490</u>	<u>\$ 1,167,122</u>	<u>\$ 2,201,444</u>	<u>\$ 230,783</u>	<u>\$ 32,810</u>	<u>\$ 3,219</u>	<u>\$ 148,466</u>	<u>\$ 1,130,340</u>	<u>\$ 4,975,674</u>

(Note) Transferred \$413,732 from "Prepayments for equipment" and transferred \$14,943 to "Investment property, net".



	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	\$ 1,502,345	\$ 2,820,377	\$ 192,258	\$ 62,269	\$ 19,705	\$ 205,591	\$ 2,173,551	\$ 7,033,406
Accumulated depreciation	-	( 337,396)	( 2,042,301)	( 141,728)	( 37,793)	( 18,756)	( 79,050)	-	( 2,657,024)
Accumulated impairment	-	( 9,813)	-	-	-	-	-	-	( 9,813)
	<u>\$ 57,310</u>	<u>\$ 1,155,136</u>	<u>\$ 778,076</u>	<u>\$ 50,530</u>	<u>\$ 24,476</u>	<u>\$ 949</u>	<u>\$ 126,541</u>	<u>\$ 2,173,551</u>	<u>\$ 4,366,569</u>
<u>For the year ended December 31, 2020</u>									
At January 1	\$ 57,310	\$ 1,155,136	\$ 778,076	\$ 50,530	\$ 24,476	\$ 949	\$ 126,541	\$ 2,173,551	\$ 4,366,569
Additions-cost	-	20,362	124,565	34,494	9,281	2,612	11,661	218,856	421,831
Transfer from prepayments for equipment	-	12,149	1,778,758	167,375	12,750	378	16,363	( 1,530,781)	456,992
Depreciation	-	( 53,635)	( 283,996)	( 25,412)	( 10,078)	( 411)	( 16,855)	-	( 390,387)
Disposals-cost	-	-	( 5,899)	( 945)	( 4,623)	( 474)	( 750)	-	( 12,691)
-accumulated depreciation	-	-	4,059	927	4,623	462	722	-	10,793
Net exchange differences	-	3,225	8,896	445	78	( 1)	188	( 16,145)	( 3,314)
At December 31	<u>\$ 57,310</u>	<u>\$ 1,137,237</u>	<u>\$ 2,404,459</u>	<u>\$ 227,414</u>	<u>\$ 36,507</u>	<u>\$ 3,515</u>	<u>\$ 137,870</u>	<u>\$ 845,481</u>	<u>\$ 4,849,793</u>
<u>December 31, 2020</u>									
Cost	\$ 57,310	\$ 1,540,903	\$ 4,753,528	\$ 395,057	\$ 80,120	\$ 22,303	\$ 233,577	\$ 845,481	\$ 7,928,279
Accumulated depreciation	-	( 393,853)	( 2,349,069)	( 167,643)	( 43,613)	( 18,788)	( 95,707)	-	( 3,068,673)
Accumulated impairment	-	( 9,813)	-	-	-	-	-	-	( 9,813)
	<u>\$ 57,310</u>	<u>\$ 1,137,237</u>	<u>\$ 2,404,459</u>	<u>\$ 227,414</u>	<u>\$ 36,507</u>	<u>\$ 3,515</u>	<u>\$ 137,870</u>	<u>\$ 845,481</u>	<u>\$ 4,849,793</u>

- A. As of December 31, 2021 and 2020, the Group'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 Group'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(9), 'Impairment of non-financial assets.'

(7) Leasing arrangements – lessee

- A. The Group leases various assets including land and transportation equipment. Rental contracts are typically made for periods of 1 to 99 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but the Group may not sublease or transfer leased assets in whole or in part without permission from a lessor.
- B. Short-term leases with a lease term of 12 months or less comprise trucks and warehouses. Low-value assets comprise pallets and air coolers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	
	December 31, 2021	December 31, 2020
Land	\$ 542,529	\$ 565,387
Transportation equipment	1,233	59
	<u>\$ 543,762</u>	<u>\$ 565,446</u>
	Depreciation charge	
	For the years ended December 31,	
	2021	2020
Land	\$ 19,353	\$ 18,822
Transportation equipment	196	341
	<u>\$ 19,549</u>	<u>\$ 19,163</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$1,371 and \$32,740, respectively.
- E. The Group leases 12 parcels of land including No. 9, Sec. Daitianfu, Yanchao Dist., Kaohsiung City from Taiwan Sugar Corporation ('Taiwan Sugar Corp.'). The Group uses the land to set up plants, which met the requirements of Taiwan Sugar Corp.'s rental adjustment plan, and therefore

the Group's annual rental of land leased from Taiwan Sugar Corp. would be reduced. The Group 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:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,507	\$ 1,805
Expense on short-term lease contracts	8,413	7,399
Expense on leases of low-value assets	553	845
	<u>\$ 10,473</u>	<u>\$ 10,049</u>

G. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$21,542 and \$18,194, respectively.

(8) Investment property, net

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Buildings</u>	<u>Buildings</u>
Opening book amount as at January 1		
Cost	\$ 17,428	\$ 17,181
Accumulated depreciation	( 1,031)	( 200)
	<u>\$ 16,397</u>	<u>\$ 16,981</u>
At January 1	\$ 16,397	\$ 16,981
Transferred from property, plant and equipment	14,943	-
Depreciation	( 823)	( 812)
Net exchange differences	( 90)	228
At December 31	<u>\$ 30,427</u>	<u>\$ 16,397</u>
Closing book amount as at December 31		
Cost	\$ 32,276	\$ 17,428
Accumulated depreciation	( 1,849)	( 1,031)
	<u>\$ 30,427</u>	<u>\$ 16,397</u>

A. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 were \$40,811 and \$18,487, respectively, which was valued based on the latest transaction price of similar objects in the location. Valuations were made based on most recent transaction prices of similar properties, considering factors such as location, scale and purpose of use, etc., which were categorised within Level 3 in the fair value hierarchy.

B. No borrowing costs were capitalised as part of investment property for the years ended December 31, 2021 and 2020.

C. As of December 31, 2021 and 2020, no investment property held by the Group was pledged to

others.

(9) Impairment of non-financial assets

- A. Certain buildings and structures of the Group were located in the special district of Kaohsiung New Town where building permits are currently not being issued. Except for the plant in the first floor, the building permits of the second and third floors cannot yet be obtained which resulted to an impairment in the Group's property, plant and equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly. The Group did not recognise both impairment loss and gain on reversal of impairment loss on certain property, plant and equipment for the years ended December 31, 2021 and 2020.
- B. As of December 31, 2021 and 2020, the balances for accumulated impairment of property, plant and equipment were both \$9,813.

(10) 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%~0.8%	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 Group for the years ended December 31, 2021 and 2020, please refer to Note 6(21), 'Finance costs'.

(11) Short-term notes and bills payable

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

There was no such situation as of 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 Group for the years ended December 31, 2021 and 2020, please refer to Note 6(21), 'Finance costs'.

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Range of maturity dates</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2021</u>
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>

<u>Type of borrowings</u>	<u>Range of maturity dates</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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 Group for the years ended December 31, 2021 and 2020, please refer to Note 6(21), 'Finance costs'.

(13) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information is shown below:

(a) The 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>
<b>Remeasurements:</b>			
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 pension	<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)
	( 106,927)	27,425	( 79,502)
<b>Remeasurements:</b>			
Return on plan assets	-	798	798
Change in demographic assumptions	( 82)	-	( 82)
Change in financial assumptions	( 3,214)	-	( 3,214)
Experience adjustments	6,123	-	6,123
	2,827	798	3,625
Pension fund contribution	-	5,287	5,287
Paid pension	5,248	( 1,917)	3,331
At December 31	(\$ 98,852)	\$ 31,593	(\$ 67,259)

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation 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 6<sup>th</sup> and 5<sup>th</sup> Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020, respectively. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

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

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 plans 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	<u>51,291</u>
	<u>\$ 91,352</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of



employment. The Group's subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations are based on a certain percentage of the employees' monthly salaries and wages (See note below). Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$25,512 and \$14,640, respectively.

(Note) Due to the impact of the COVID-19 pandemic, no pension contribution was required to be made for certain subsidiaries from February 2020 to December 2020 in accordance with their respective local government preferential policies.

(14) 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	<u>72,600</u>	<u>72,600</u>

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.

(15) Capital surplus

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

(16) Retained earnings

A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

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

The Company's business is in the growth stage and it will continue to invest in order to stabilise

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

C. Special reserve

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No.1010012865, dated April 6, 2012, was \$44,348 and shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

- D. The Company recognised cash dividends distributed to owners amounting to \$871,200 (\$12 (in dollars) per share) 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).

(17) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 6,784,152	\$ 9,371,410

A. Disaggregation of revenue from contracts with customers

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

	For the year ended December 31, 2021		
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Total
Biotechnology	\$ 1,085,573	\$ 1,316,645	\$ 2,402,218
Spunlace nonwovens	1,223,423	819,072	2,042,495
Air-through nonwovens	584,780	1,255,596	1,840,376
Disposable surgical gowns	321,052	178,011	499,063
	<u>\$ 3,214,828</u>	<u>\$ 3,569,324</u>	<u>\$ 6,784,152</u>

For the year ended December 31, 2020

	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Total
Biotechnology	\$ 2,061,376	\$ 1,526,714	\$ 3,588,090
Spunlace nonwovens	2,019,773	647,843	2,667,616
Air-through nonwovens	735,635	1,323,163	2,058,798
Disposable surgical gowns	359,338	697,568	1,056,906
	<u>\$ 5,176,122</u>	<u>\$ 4,195,288</u>	<u>\$ 9,371,410</u>

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - current	<u>\$ 20,151</u>	<u>\$ 51,144</u>	<u>\$ 13,237</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year were \$41,434 and \$10,238 for the years ended December 31, 2021 and 2020, respectively.

(18) Interest income

	For the years ended December 31,	
	2021	2020
Bank deposits	\$ 9,613	\$ 16,402
Financial assets at amortised cost	602	5,581
	<u>\$ 10,215</u>	<u>\$ 21,983</u>

(19) Other income

	For the years ended December 31,	
	2021	2020
Grant income	\$ 18,509	\$ 17,479
Income from renewable energy sold	13,257	13,298
Compensation income	511	3,920
Miscellaneous income	10,066	14,219
	<u>\$ 42,343</u>	<u>\$ 48,916</u>

(20) Other gains and losses

	For the years ended December 31,	
	2021	2020
Net loss on disposal of property, plant and equipment	(\$ 4)	(\$ 1,262)
Net currency exchange loss	( 29,717)	( 115,570)
Other losses	( 2,946)	( 2,002)
	<u>(\$ 32,667)</u>	<u>(\$ 118,834)</u>

(21) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 31,785	\$ 35,866
Interest expense on lease liabilities	1,507	1,805
	33,292	37,671
Less: Capitalisation of qualifying assets	-	(1,540)
	<u>\$ 33,292</u>	<u>\$ 36,131</u>

(22) Expenses by nature

	For the year ended December 31, 2021		
	Operating cost	Operating expense (Note)	Total
Employee benefit expenses	\$ 471,206	\$ 150,464	\$ 621,670
Depreciation charges	459,353	31,283	490,636
Amortisation charges	-	159	159

	For the year ended December 31, 2020		
	Operating cost	Operating expense (Note)	Total
Employee benefit expenses	\$ 545,704	\$ 165,785	\$ 711,489
Depreciation charges	385,231	25,131	410,362
Amortisation charges	346	170	516

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

(23) Employee benefit expense

	For the year ended December 31, 2021		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 383,294	\$ 125,565	\$ 508,859
Labor and health insurance expense	35,298	9,922	45,220
Pension costs	20,669	6,818	27,487
Other personnel expenses	31,945	8,159	40,104
	<u>\$ 471,206</u>	<u>\$ 150,464</u>	<u>\$ 621,670</u>

	For the year ended December 31, 2020		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 463,260	\$ 145,665	\$ 608,925
Labor and health insurance expense	33,361	8,118	41,479
Pension costs	12,198	4,020	16,218
Other personnel expenses	36,885	7,982	44,867
	<u>\$ 545,704</u>	<u>\$ 165,785</u>	<u>\$ 711,489</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' remuneration. Employees' compensation will be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive aforementioned share or cash. Directors' remuneration will be distributed in the form of cash. The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.
- B. For the 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 period distributable and the percentage specified in the Articles of Incorporation of the Company. The amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were the same as the estimated amount of \$22,216 and \$15,380 recognised in the 2020 financial statements, respectively. On March 15, 2022, the amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were \$1,127 and \$780, respectively. The employees' compensation will be distributed in the form of cash.
- Information about employees' compensation and directors' remuneration of the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Components of income tax expense:

(a) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year	\$ 164,595	\$ 563,310
Tax on undistributed surplus earnings	10,768	-
Prior year income tax over estimation	( 19,418)	( 11,985)
	<u>155,945</u>	<u>551,325</u>
Deferred tax:		
Origination and reversal of temporary differences	( 22,976)	( 12,460)
Income tax expense	<u>\$ 132,969</u>	<u>\$ 538,865</u>

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

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

B. Reconciliation between income tax expense and accounting profit:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 126,204	\$ 560,080
Effect from items disallowed by tax regulation	( 40,611)	( 97,180)
Temporary differences between finance report and income tax report	666	-
Tax on undistributed surplus earnings	10,768	-
Prior year income tax overestimation	( 19,418)	( 11,985)
Separate taxation	<u>55,360</u>	<u>87,950</u>
Income tax expense	<u>\$ 132,969</u>	<u>\$ 538,865</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
Unrealised profit	278	-	-	278
Tax losses	-	34,684	-	34,684
	<u>\$ 29,209</u>	<u>\$ 26,290</u>	<u>(\$ 181)</u>	<u>\$ 55,318</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>\$ 21,559</u>	<u>\$ 22,976</u>	<u>(\$ 181)</u>	<u>\$ 44,354</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
Unrealised profit	1,078	( 800)	-	278
	<u>\$ 29,182</u>	<u>\$ 752</u>	<u>(\$ 725)</u>	<u>\$ 29,209</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>\$ 9,824</u>	<u>\$ 12,460</u>	<u>(\$ 725)</u>	<u>\$ 21,559</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	<u>\$ 173,418</u>	<u>\$ 173,418</u>	<u>\$ -</u>	2031

There was no such situation as of December 31, 2020

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Loss on inventories from market decline	<u>\$ 30,467</u>	<u>\$ 30,635</u>

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred income tax liabilities. As of December 31, 2021 and 2020, the amounts



of temporary differences unrecognised as deferred income tax liabilities were \$661,404 and \$620,441, respectively.

G. 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.

(25) Earnings per share

	<u>For the year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<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
	<u>For the year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<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

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
(a) Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ 84,130
Add: Opening balance of other payables	\$ 84,130	\$ -
Less: Ending balance of other payables	<u>-</u>	<u>(84,130)</u>
Cash paid for acquisition of financial assets at fair value through other comprehensive income	<u>\$ 84,130</u>	<u>\$ -</u>
(b) Purchase of property, plant and equipment	\$ 222,589	\$ 421,831
Add: Opening balance of notes payable	3,284	18,723
Opening balance of other payables	66,330	34,226
Less: Ending balance of notes payable	(2,627)	(3,284)
Ending balance of other payables	(83,434)	(66,330)
Capitalisation of interest	<u>-</u>	<u>(1,540)</u>
Cash paid for purchase of property, plant and equipment	<u>\$ 206,142</u>	<u>\$ 403,626</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 receivable	<u>\$ 508</u>	<u>\$ 3,508</u>
(b) Property, plant and equipment transferred to investment property, net	<u>\$ 14,943</u>	<u>\$ -</u>
(b) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 413,732</u>	<u>\$ 456,992</u>

(27) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
Balance at January 1, 2021	\$ 1,667,000	\$ -	\$ 398,669	\$ 2,729,889	\$ 1,004	\$ 4,796,562
Changes in cash flow from financing activities	281,900	89,984	( 11,069)	405,261	-	766,076
Changes in other non-cash items	-	-	1,371	( 16,929)	-	( 15,558)
Impact of changes in foreign exchange rate	-	-	-	-	( 5)	( 5)
Balance at December 31, 2021	<u>\$ 1,948,900</u>	<u>\$ 89,984</u>	<u>\$ 388,971</u>	<u>\$ 3,118,221</u>	<u>\$ 999</u>	<u>\$ 5,547,075</u>
						Liabilities from financing activities-gross
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
Balance at January 1, 2020	\$ 1,370,000	\$ 34,999	\$ 504,687	\$ 2,899,670	\$ 947	\$ 4,810,303
Changes in cash flow from financing activities	297,000	( 34,999)	( 8,145)	( 160,695)	-	93,161
Changes in other non-cash items	-	-	( 97,873)	( 9,086)	-	( 106,959)
Impact of changes in foreign exchange rate	-	-	-	-	57	57
Balance at December 31, 2020	<u>\$ 1,667,000</u>	<u>\$ -</u>	<u>\$ 398,669</u>	<u>\$ 2,729,889</u>	<u>\$ 1,004</u>	<u>\$ 4,796,562</u>

## 7. Related Party Transactions

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

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

### (2) Significant related party transactions

Secured bank borrowings that the Group borrowed from the banks as of December 31, 2021 was guaranteed by Huang Chin-San; in addition, as of December 31, 2020, secured bank borrowings that the Group borrowed from the bank were jointly guaranteed by Huang Chin-San and Huang Ho-Chun.

### (3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
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 Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
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 Group entered into but not yet incurred are \$587,266 and \$537,822, respectively.

(2) As of December 31, 2021 and 2020, the unused letters of credit amounted to \$64,926 and \$24,228, respectively.

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

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

None.

## 12. Others

### (1) Capital management

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

## (2) Financial instruments

### A. Financial instruments by category

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

### B. Financial risk management policies

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

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

### C. Significant financial risks and degrees of financial risks

#### (a) Market risk

##### i. Foreign exchange risk

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

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

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

December 31, 2021			
(foreign currency: functional currency)	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 22,621	27.68	\$ 626,149
USD : RMB	14,618	6.38	404,626
RMB : NTD	1,911	4.34	8,294
EUR : NTD	23	31.32	720
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	2,387	27.68	66,072
USD : RMB	1,430	6.38	39,582
EUR : NTD	3,618	31.32	113,316
December 31, 2020			
(foreign currency: functional currency)	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
USD : RMB	11,661	6.52	332,105
RMB : NTD	7,416	4.38	32,482
EUR : NTD	50	35.02	1,751
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1,569	28.48	44,685
USD : RMB	1,347	6.52	38,363
EUR : NTD	9,274	35.02	324,775

(iv) As of December 31, 2021 and 2020, if the Group's functional currency exchange rate to foreign currencies had appreciated/depreciated by 1% with all other factors remaining constant, the post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$8,208 and \$5,782, respectively.

(v) The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to \$29,717 and \$115,570, respectively.

## ii. Price risk

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

(ii) The Group's investments in equity securities comprise shares issued by the foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2021 and 2020 would both have increased/decreased by \$841, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

iii. Cash flow and fair value interest rate risk

(i) The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate. During the years ended December 31, 2021 and 2020, the Group's borrowings at variable rate were denominated in New Taiwan dollars and EUR dollars.

(ii) If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$318 and \$359, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. For banks and financial institutions, only those with high credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.
- iii. In line with the credit risk management procedure, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. In line with the credit risk management procedure, the default occurs when the contract payments are past due over 180 days.
- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

- vi. The Group classifies customer's receivables in accordance with the credit rating of the customer. The Group applies the modified approach using the provision matrix to estimate expected credit loss. The Group used the forecastability of conditions to adjust historical and timely information to assess the default possibility of receivables, whereby rate ranging from 1% to 100% are applied to the provision matrix. Movements in relation to the Group applying the modified approach to provide loss allowance for receivables are as follows:

	For the year ended December 31, 2021		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	\$ 2, 777	\$ 61, 243	\$ 3, 987
Expected credit (gains) losses	( 1, 000)	( 31, 425)	508
Effect of foreign exchange	-	( 197)	-
At December 31	<u>\$ 1, 777</u>	<u>\$ 29, 621</u>	<u>\$ 4, 495</u>
	For the year ended December 31, 2020		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	\$ 3, 507	\$ 31, 857	\$ 479
Expected credit (gains) losses	( 730)	28, 816	3, 508
Effect of foreign exchange	-	570	-
At December 31	<u>\$ 2, 777</u>	<u>\$ 61, 243</u>	<u>\$ 3, 987</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate:		
Expiring within one year	\$ 1, 889, 375	\$ 1, 635, 151
Expiring beyond one year	<u>3, 402, 569</u>	<u>3, 350, 190</u>
	<u>\$ 5, 291, 944</u>	<u>\$ 4, 985, 341</u>



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

December 31, 2021	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	\$ 1,951,535	\$ -	\$ -	\$ -
Short-term notes and bills payable	90,000	-	-	-
Notes payable	555,074	-	-	-
Accounts payable	556,834	-	-	-
Other payables	298,440	-	-	-
Lease liabilities (Including current portion)	13,008	29,291	32,160	403,398
Long-term borrowings (Including current portion)	349,092	2,251,217	307,571	242,475
Guarantee deposits received	-	-	-	999
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	502,274	-	-	-
Accounts payable	477,616	-	-	-
Other payables	433,121	-	-	-
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
Guarantee deposits received	-	-	-	1,004

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

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 are as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,130</u>	<u>\$ 84,130</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,130</u>	<u>\$ 84,130</u>

E. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

F. The following chart is the movement of Level 3 for the year ended December 31, 2021:

<u>For the year ended December 31, 2021</u>	<u>Equity securities (Note)</u>
Beginning and ending balance	<u>\$ 84,130</u>

(Note) For the year ended December 31, 2021, there was no adjustment to the Level 3 equity securities at fair value, because the movement was not immaterial.

There was no such situation for the year ended December 31, 2020.

- G. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 85,026	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 84,130	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets categorised within Level 3, if the inputs used to valuation models have changed by 1%, the effect on other comprehensive income would have been \$1,052 and \$841 for the years ended December 31, 2021 and 2020, respectively.

(4) Others

Due to Covid-19 pandemic and the government's various prevention measures, the Group implemented workplace hygiene management measures in accordance with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)" and managed related issues continuously. In Taiwan, except for those employees who worked

in office under a staggered shift pattern, the employees in the plant were working normally and there was no significant adverse impact on the Group's operations.

### 13. Supplementary Disclosures

According to the current regulatory requirements, the Group is only required to disclose the information for the 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

#### (1) General information

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

#### (2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on segment pre-tax income.

(3) Information about segment profit or loss and assets

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

	For the year ended December 31, 2021			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Others	Total
Segment revenue	\$ 3,215,624	\$ 4,290,915	\$ -	\$ 7,506,539
Inter-segment revenue	( 796)	( 721,591)	-	( 722,387)
Revenue from external customers, net	<u>\$ 3,214,828</u>	<u>\$ 3,569,324</u>	<u>\$ -</u>	<u>\$ 6,784,152</u>
Segment (loss) profit	<u>(\$ 138,409)</u>	<u>\$ 440,596</u>	<u>(\$ 38,549)</u>	<u>\$ 263,638</u>
Segment assets	<u>\$ 5,620,977</u>	<u>\$ 3,513,432</u>	<u>\$ 1,415,558</u>	<u>\$ 10,549,967</u>

	For the year ended December 31, 2020			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Others	Total
Segment revenue	\$ 5,176,171	\$ 5,200,453	\$ -	\$ 10,376,624
Inter-segment revenue	( 49)	( 1,005,165)	-	( 1,005,214)
Revenue from external customers, net	<u>\$ 5,176,122</u>	<u>\$ 4,195,288</u>	<u>\$ -</u>	<u>\$ 9,371,410</u>
Segment profit (loss)	<u>\$ 1,187,875</u>	<u>\$ 910,239</u>	<u>(\$ 21,460)</u>	<u>\$ 2,076,654</u>
Segment assets	<u>\$ 6,041,648</u>	<u>\$ 3,553,190</u>	<u>\$ 1,284,143</u>	<u>\$ 10,878,981</u>

(4) Reconciliation for segment income (loss)

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

	For the years ended December 31,	
	2021	2020
Reportable segment income before income tax	\$ 302,187	\$ 2,098,114
Other segments loss before income tax	( 38,549)	( 21,460)
Inter-segment loss	( 13,401)	( 84,066)
Profit before income tax	<u>\$ 250,237</u>	<u>\$ 1,992,588</u>

(5) Information on products and services

Please refer to Note 6(17) for the information on products for the years ended December 31, 2021 and 2020.

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	For the years ended December 31,			
	2021		2020	
	Revenue (note)	Non-current assets	Revenue (note)	Non-current assets
Taiwan	\$ 1,616,228	\$ 4,041,982	\$ 3,110,857	\$ 3,936,590
Mainland China	3,070,357	1,332,767	3,617,915	1,334,692
Japan	880,359	-	898,647	-
Others	1,217,208	653,280	1,743,991	566,695
	<u>\$ 6,784,152</u>	<u>\$ 6,028,029</u>	<u>\$ 9,371,410</u>	<u>\$ 5,837,977</u>

(Note) Revenue is categorised based on the locations of customers.

(7) Major customer information

Major customer (net revenue from the customer constituting more than 10% of net consolidated operating revenue) information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	For the years ended December 31,	
	2021	2020
	Company A	\$ 764,298
Company B	687,699	634,401
	<u>\$ 1,451,997</u>	<u>\$ 1,374,328</u>

## 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

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

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

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	%	
<b>Current assets</b>						
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	<b>Total current assets</b>		<u>1,499,782</u>	<u>15</u>	<u>2,055,043</u>	<u>20</u>
<b>Non-current assets</b>						
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	<b>Total non-current assets</b>		<u>8,769,330</u>	<u>85</u>	<u>8,443,990</u>	<u>80</u>
1XXX	<b>Total assets</b>		<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	%	
<b>Current liabilities</b>						
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	<b>Total current liabilities</b>		<u>3,558,452</u>	<u>35</u>	<u>3,464,782</u>	<u>33</u>
<b>Non-current liabilities</b>						
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	<b>Total non-current liabilities</b>		<u>3,221,676</u>	<u>31</u>	<u>2,766,000</u>	<u>26</u>
2XXX	<b>Total liabilities</b>		<u>6,780,128</u>	<u>66</u>	<u>6,230,782</u>	<u>59</u>
<b>Equity attributable to owners of parent</b>						
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		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	<b>Total equity</b>		<u>3,488,984</u>	<u>34</u>	<u>4,268,251</u>	<u>41</u>
Contingent Liabilities and Commitments						
3X2X	<b>Total liabilities and equity</b>		<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	<b>Profit before income tax</b>		84,803	3	1,671,327	32
7950	Income tax benefit (expense)	6(23)	32,465	1	( 217,604)	( 4)
8200	<b>Profit for the year</b>		<u>\$ 117,268</u>	<u>4</u>	<u>\$ 1,453,723</u>	<u>28</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
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)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation	6(5)	( 26,061)	( 1)	32,763	1
8300	<b>Other comprehensive (loss) income for the year</b>		<u>(\$ 25,335)</u>	<u>( 1)</u>	<u>\$ 35,663</u>	<u>1</u>
8500	<b>Total comprehensive income for the year</b>		<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 Exchange differences on translation of foreign financial statements	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings		
<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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
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>

(Continued)



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	\$ -	\$ 88,830

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)
	\$ 44,908	\$ 62,053
Accounts receivable	\$ 446,792	\$ 722,021
Less: Allowance for uncollectible accounts	( 11,050)	( 25,591)
	\$ 435,742	\$ 696,430

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
	\$ 46,685	\$ 451,287	\$ 64,830	\$ 726,008

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:

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

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:

	<u>Carrying amount</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	\$ 401,414	\$ 418,081
Transportation equipment	—	59
	<u>\$ 401,414</u>	<u>\$ 418,140</u>
	<u>Depreciation charge</u>	
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
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><u>(\$ 98,852)</u></u>	<u><u>\$ 31,593</u></u>	<u><u>(\$ 67,259)</u></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 6<sup>th</sup> and the 5<sup>th</sup> 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
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

	<u>For the year ended December 31, 2021</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings per share</u>
	<u>after tax</u>	<u>number of shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 117,268</u>	<u>72,600</u>	<u>\$ 1.62</u>
<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	<u>          -</u>	<u>          34</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 117,268</u>	<u>72,634</u>	<u>\$ 1.61</u>
	<u>For the year ended December 31, 2020</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings per share</u>
	<u>after tax</u>	<u>number of shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(shares in thousands)</u>	

(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</u>	<u>Maximum</u>	<u>Balance at</u>	<u>Annual rate</u>	<u>Interest</u>
	<u>outstanding</u>	<u>outstanding</u>	<u>December 31</u>		<u>expense</u>
	<u>balance date</u>	<u>balance</u>	<u>December 31</u>		<u>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</u>	<u>Maximum</u>	<u>Balance at</u>	<u>Annual rate</u>	<u>Interest</u>
	<u>outstanding</u>	<u>outstanding</u>	<u>December 31</u>		<u>expense</u>
	<u>balance date</u>	<u>balance</u>	<u>December 31</u>		<u>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:

(foreign currency: functional currency)	December 31, 2021		
	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



<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,669,272	\$ -	\$ -	\$ -
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.  
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 (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount		
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	90,984	2018.09.26~2022.09.26	1.00%	Machinery (Note 1)	"
		3,118,221				
	Less: Current portion	(330,620)				
		<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%)	—	<u>9,036</u>	—
		<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.