

**TAINAN ENTERPRISES CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Tainan Enterprises Co., Ltd.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Tainan Enterprises 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, based on our audits and the reports of the other auditors (refer to Other matter section), 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 *Auditor's 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 in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other auditors, 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 of the current

period are stated as follows:

### **Cut-off of operating revenue from export sales**

#### Description

Refer to Notes 4(28) and 6(19) for the accounting policy and the details of revenue. Exports sales comprise a significant portion of the Company's revenues, which are recognized base on the terms and the conditions of the transaction agreed with the customer. As the revenue recognition process involves manual process and judgements, there exists a risk of material misstatement that may arise from improper timing in revenue recognition for transactions that occur near the balance sheet date. Thus, we considered the cut-off of operating revenue from export sales 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. Obtained an understanding and assessed the accounting policies on revenue recognition.
2. Confirmed the completeness of the sales revenue transaction details for the export sales in a certain period before or after the balance sheet date and performed cut-off tests on a sampling basis to inspect the supporting documents (including confirming transaction conditions, checking orders, shipping documents, export declarations and bills of lading, etc.) to ascertain whether sales revenue was recognized in the proper period.

### ***Other matter –Report of other auditors***

We did not audit the financial statements of certain investments accounted for under equity method that are included in the parent company only financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements and the information disclosed relative to these investments, is based solely on the audit reports of other auditors. The balance of these investments accounted for under equity method amounted to \$61,840 thousands and \$48,832 thousands, both representing 1% of the related totals as of December 31, 2021 and 2020, and the share of profit or loss amounted to \$13,811 thousands and \$5,812 thousands, constituting (7%) and (1%) of the comprehensive income for the years then ended, respectively.

### ***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 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 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 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.

Tien, Chung-Yu

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 22, 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.

TAINAN ENTERPRISES CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 212,173	4	\$ 292,991	6
1136	Financial assets at amortized cost - current	6(3)	-	-	38,026	1
1150	Notes receivable, net	6(4)	380	-	378	-
1170	Accounts receivable, net	6(4) and 7	1,097,887	23	988,125	21
1200	Other receivables		2,183	-	5,623	-
1210	Other receivables - related parties	7	117,724	2	231,300	5
1220	Current income tax assets	6(26)	207	-	447	-
130X	Inventories	6(5)	745,330	16	441,495	9
1410	Prepayments	7	121,089	3	14,921	-
11XX	Total current assets		2,296,973	48	2,013,306	42
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	5(2) and 6(2)	86,954	2	87,084	2
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)	639	-	476	-
1535	Financial assets at amortised cost - non-current	6(3)	30,230	1	30,421	1
1550	Investments accounted for under equity method	6(7) and 7	1,794,164	37	2,074,043	43
1600	Property, plant and equipment	6(8) and 8	385,909	8	390,816	8
1760	Investment property, net	6(10)	134,633	3	136,549	3
1780	Intangible assets	6(11)	15,731	-	19,761	-
1840	Deferred income tax assets	6(26)	46,701	1	44,100	1
1915	Prepayments for equipment	6(8)(11)	1,528	-	1,994	-
1920	Guarantee deposits paid		186	-	186	-
1990	Other non-current assets		9,924	-	10,436	-
15XX	Total non-current assets		2,506,599	52	2,795,866	58
1XXX	Total assets		\$ 4,803,572	100	\$ 4,809,172	100

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TAINAN ENTERPRISES CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020					
			AMOUNT	%	AMOUNT	%				
Current liabilities										
2100	Short-term borrowings	6(12) and 8	\$	834,707	17	\$	488,280	10		
2110	Short-term notes and bills payable	6(13)		149,972	3		174,938	4		
2120	Financial liabilities at fair value through profit or loss - current	6(2)		-	-		218	-		
2130	Contract liabilities - current	6(19)		7,474	-		8,035	-		
2150	Notes payable			8,447	-		5,108	-		
2170	Accounts payable			243,406	5		212,069	5		
2180	Accounts payable - related parties	7		118,159	3		193,917	4		
2200	Other payables			111,889	2		91,521	2		
2220	Other payables - related parties	7		226,234	5		298,421	6		
2310	Advance receipts			384	-		384	-		
21XX	Total current liabilities			1,700,672	35		1,472,891	31		
Non-current liabilities										
2570	Deferred income tax liabilities	6(26)		39,742	1		39,742	1		
2640	Net defined benefit liabilities - non-current	6(14)		9,073	-		16,209	-		
2645	Guarantee deposits received			331	-		331	-		
25XX	Total non-current liabilities			49,146	1		56,282	1		
2XXX	Total liabilities			1,749,818	36		1,529,173	32		
Equity										
Share capital										
3110	Common stock	6(15)		1,471,535	31		1,471,535	31		
3200	Capital surplus	6(7)(16)		845,412	17		874,643	17		
	Retained earnings	6(17)								
3310	Legal reserve			766,835	16		766,835	16		
3320	Special reserve			162,805	3		63,280	1		
3350	Unappropriated retained earnings			41,921	1		289,174	6		
3400	Other equity interest	6(6)(7)(18)	(	212,091)	(	4)	(	162,805)	(	3)
3500	Treasury stocks	6(15)	(	22,663)	-	(	22,663)	-		
3XXX	Total equity			3,053,754	64		3,279,999	68		
Contingent Liabilities and Commitments										
3X2X	Total liabilities and equity		\$	4,803,572	100	\$	4,809,172	100		

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

TAINAN ENTERPRISES CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except for loss per share data)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19) and 7	\$	5,599,470	100	\$	5,907,901
5000 Operating costs	6(5)(14)(24)(25) and 7		( 5,100,360 )	( 91 )	( 5,514,472 )	( 93 )
5900 Net operating margin			499,110	9	393,429	7
Operating expenses	6(10)(11)(14)(24)(25), 7 and 12					
6100 Selling expenses		(	183,973)	( 4 )	( 160,383 )	( 3 )
6200 General and administrative expenses		(	206,324)	( 4 )	( 199,392 )	( 4 )
6300 Research and development expenses		(	70,672)	( 1 )	( 72,960 )	( 1 )
6450 Expected credit losses		(	7,044)	-	( 124,052 )	( 2 )
6000 Total operating expenses		(	468,013)	( 9 )	( 556,787 )	( 10 )
6900 Operating profit (loss)			31,097	-	( 163,358 )	( 3 )
Non-operating income and expenses						
7100 Interest income	6(3)(20) and 7		4,384	-	12,670	-
7010 Other income	6(9)(10)(21) and 7		10,346	-	14,219	-
7020 Other gains and losses	6(2)(3)(7)(22)(24) and 12		205	-	( 96,944 )	( 1 )
7050 Finance costs	6(23)	(	6,208)	-	( 16,116 )	-
7070 Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	(	178,105)	( 3 )	( 135,592 )	( 2 )
7000 Total non-operating income and expenses		(	169,378)	( 3 )	( 221,763 )	( 3 )
7900 Loss before income tax		(	138,281)	( 3 )	( 385,121 )	( 6 )
7950 Income tax benefit	6(26)		3,177	-	26,515	-
8200 Loss for the year		(\$	135,104)	( 3 )	(\$ 358,606)	( 6 )
<b>Other comprehensive income (loss)</b>						
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>						
8311 Actuarial gains (losses) on defined benefit plan	6(14)	\$	3,927	-	(\$ 5,944)	-
8316 Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(6)(18)		163	-	( 94 )	-
8330 Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for under equity method - will not be reclassified to profit or loss	6(7)	(	16,376)	-	( 1,406 )	-
8349 Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(26)	(	786)	-	1,189	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>						
8361 Financial statements translation differences of foreign operations	6(7)(18)	(	48,852)	( 1 )	( 95,669 )	( 2 )
8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method - will be reclassified to profit or loss	6(7)(18)		14	-	( 160 )	-
8300 Total other comprehensive loss for the year		(\$	61,910)	( 1 )	(\$ 102,084)	( 2 )
8500 Total comprehensive loss for the year		(\$	197,014)	( 4 )	(\$ 460,690)	( 8 )
Loss per share (in dollars)	6(27)					
9750 Basic		(\$	0.92)		(\$ 2.45)	
9850 Diluted		(\$	0.92)		(\$ 2.45)	

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

TAINAN ENTERPRISES CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings					Other equity interest			
							Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				
Year ended December 31, 2020										
Balance at January 1, 2020		\$ 1,471,535	\$ 880,971	\$ 758,787	\$ 3,979	\$ 790,765	(\$ 63,372 )	\$ 92	(\$ 22,663 )	\$ 3,820,094
Net loss for the year ended December 31, 2020		-	-	-	-	( 358,606 )	-	-	-	( 358,606 )
Other comprehensive loss for the year ended December 31, 2020	6(7)(18)	-	-	-	-	( 2,559 )	( 95,829 )	( 3,696 )	-	( 102,084 )
Total comprehensive loss for the year ended December 31, 2020		-	-	-	-	( 361,165 )	( 95,829 )	( 3,696 )	-	( 460,690 )
Distribution of 2019 net income:										
Legal reserve		-	-	8,048	-	( 8,048 )	-	-	-	-
Special reserve		-	-	-	59,301	( 59,301 )	-	-	-	-
Cash dividends	6(17)	-	-	-	-	( 73,077 )	-	-	-	( 73,077 )
Adjustment for change in capital surplus of investee companies	6(7)(16)	-	( 1,604 )	-	-	-	-	-	-	( 1,604 )
Difference between the acquisition price and carrying amounts of subsidiaries	6(7)(16)	-	( 4,724 )	-	-	-	-	-	-	( 4,724 )
Balance at December 31, 2020		\$ 1,471,535	\$ 874,643	\$ 766,835	\$ 63,280	\$ 289,174	(\$ 159,201 )	(\$ 3,604 )	(\$ 22,663 )	\$ 3,279,999
Year ended December 31, 2021										
Balance at January 1, 2021		\$ 1,471,535	\$ 874,643	\$ 766,835	\$ 63,280	\$ 289,174	(\$ 159,201 )	(\$ 3,604 )	(\$ 22,663 )	\$ 3,279,999
Net loss for the year ended December 31, 2021		-	-	-	-	( 135,104 )	-	-	-	( 135,104 )
Other comprehensive loss for the year ended December 31, 2021	6(7)(18)	-	-	-	-	( 12,624 )	( 48,838 )	( 448 )	-	( 61,910 )
Total comprehensive loss for the year ended December 31, 2021		-	-	-	-	( 147,728 )	( 48,838 )	( 448 )	-	( 197,014 )
Distribution of 2020 net income:										
Special reserve		-	-	-	99,525	( 99,525 )	-	-	-	-
Cash distribution from capital surplus	6(16)	-	( 29,231 )	-	-	-	-	-	-	( 29,231 )
Balance at December 31, 2021		\$ 1,471,535	\$ 845,412	\$ 766,835	\$ 162,805	\$ 41,921	(\$ 208,039 )	(\$ 4,052 )	(\$ 22,663 )	\$ 3,053,754

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

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

		Year ended December 31,	
	Notes	2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 138,281 )	( \$ 385,121 )
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets and liabilities at fair value through profit or loss	6(22)	( 218 )	( 9,805 )
Loss on disposal of investments		-	1,016
Expected credit losses (including listed as “Other income”)	12	6,055	124,052
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	178,105	135,592
Impairment loss on investments accounted for under equity method	6(7)(22)	-	49,970
Depreciation	6(8)(10)(24)	12,814	12,510
Loss on disposal of property, plant and equipment	6(22)	105	192
Loss on disposal of investment property	6(22)	3	3
Amortisation	6(11)(24)	7,219	6,073
Dividend income	6(21)	-	( 8 )
Interest income	6(20)	( 4,384 )	( 12,670 )
Interest expense	6(23)	6,208	16,116
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 2 )	( 335 )
Accounts receivable		( 115,817 )	43,240
Other receivables		2,029	( 2,593 )
Other receivables - related parties		2,833	( 3,973 )
Inventories		( 303,835 )	98,853
Prepayments		( 106,168 )	2,799
Changes in operating liabilities			
Contract liabilities - current		( 561 )	6,867
Notes payable		3,339	( 400 )
Accounts payable		31,337	33,902
Accounts payable - related parties		( 75,758 )	( 25,730 )
Other payables		20,471	( 10,647 )
Other payables - related parties		( 72,187 )	( 977 )
Advance receipts		-	354
Net defined benefit liabilities - non-current		( 3,209 )	( 5,232 )
Cash (outflow) inflow generated from operations		( 549,902 )	74,048
Dividends received		-	72,138
Interest received		7,802	12,632
Interest paid		( 5,985 )	( 17,395 )
Income tax received		30	-
Income tax paid		-	( 14,602 )
Net cash flows (used in) from operating activities		( 548,055 )	126,821

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

		Year ended December 31,	
	Notes	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in financial assets at amortised cost		\$ 38,217	\$ 103,054
Decrease in other receivables - related parties		108,736	134,835
Return from capital reduction of financial assets at fair value through profit or loss	12	130	153
Acquisition of investments accounted for under equity method	6(7)	- (	52,500 )
Return capital in advance from investments accounted for under equity method	6(7)	33,612	-
Proceeds from liquidation of investments accounted for under equity method	6(7)	2,948	-
Cash paid for acquisition of property, plant and equipment	6(28)	( 4,397 )	( 8,992 )
Cash paid for investment property	6(10)	-	( 1,540 )
Acquisition of intangible assets	6(11)	( 3,189 )	( 4,565 )
Increase in prepayments for equipment		( 1,528 )	( 1,994 )
Decrease in other non-current assets		512	64
Net cash flows from investing activities		175,041	168,515
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(29)	774,707	438,280
Repayments of short-term borrowings	6(29)	( 428,280 )	( 578,664 )
Increase in short-term notes and bills payable	6(29)	-	175,000
Decrease in short-term notes and bills payable	6(29)	( 25,000 )	( 100,000 )
Decrease in guarantee deposit received	6(29)	-	( 4 )
Cash distribution from capital surplus	6(16)	( 29,231 )	-
Payment of cash dividends	6(17)	-	( 73,077 )
Net cash flows from (used in) financing activities		292,196	( 138,465 )
Net (decrease) increase in cash and cash equivalents		( 80,818 )	156,871
Cash and cash equivalents at beginning of year	6(1)	292,991	136,120
Cash and cash equivalents at end of year	6(1)	\$ 212,173	\$ 292,991

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

TAINAN ENTERPRISES CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANIZATION

(1) Tainan Enterprises 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.) and other relevant laws and regulations in August 1961. The Company is primarily engaged in manufacturing, retail and export various of apparels (including woven and knitted garments).

(2) The common shares of the Company had been listed on the Taipei Exchange since April 1999, and have been transferred to be listed on the Taiwan Stock Exchange since September 2000.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 22, 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:

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 Company's financial condition and financial performance based on the Company's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by 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 Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements 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 following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through

profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its 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 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 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 recognized in profit or loss in the period in which they arise.

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

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the parent company only 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 realized, or are intended to be

sold or consumed within the normal operating cycle;

- (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 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 12 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 fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortized cost

- A. Financial assets at amortized 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 amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction

costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(8) Accounts and notes receivable

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

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. If the cost exceeds net realizable value, valuation loss is accrued and recognized in operating costs. If the net realizable value reverses, valuation is eliminated within credit balance and is recognized as deduction of operating costs.

(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 Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (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 fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase

in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Leasing arrangements (lessor) — operating leases

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

(14) Investments accounted for under equity method / subsidiaries, associates and joint ventures

- A. Subsidiaries are all 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. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of 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 from a subsidiary 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. As long as the change in shareholding in the subsidiaries does not lead to loss of control (transactions with non-controlling interest), it is to be treated as equity transaction that is to be treated as transactions between the owners. The difference between non-controlling equity adjustment amount and the fair value of payment and receipt is to be recognized as equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In

general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes all changes in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then "Capital surplus" and "Investments accounted for under the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- L. The Company accounts for its interest in a joint venture using equity method. Unrealized profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Company's share of losses in a

joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

- M. According to “Regulations Governing the Preparation of Financial Statements by Securities Issuers”, “Profit for the year” and “Other comprehensive income for the year” reported in an entity's parent company only statement of comprehensive income, shall equal to “profit for the year” and “Other comprehensive income” attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, 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:

Assets	Useful lives
Buildings ( including accessory equipment )	9 ~ 55 years
Machinery equipment	3 ~ 5 years
Utilities equipment	5 ~ 10 years
Transportation equipment	4 ~ 5 years
Office equipment	3 ~ 5 years

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful

life of 18 ~ 55 years.

(17) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 ~ 5 years.

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

Financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit 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 recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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).

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

C. Employees' compensation and directors' and supervisors' remuneration

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

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Share capital

- A. Ordinary shares are classified as equity.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

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

(28) Revenue recognition

- A. Sales of goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client'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 client, and either the client 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) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### B. Service revenue

The Company provides processing and business consulting services. Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

#### (29) Government grants

Government grants are recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

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

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

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

None.

#### (2) Critical accounting estimates and assumptions

##### Financial assets — fair value measurement of unlisted stocks without active market

- A. The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering those companies' financial information, operational planning or prediction of future application. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial

instruments fair value information.

B. As of December 31, 2021, the carrying amount of unlisted stocks without active market was \$86,954.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand	\$ 250	\$ 250
Checking accounts and demand deposits	<u>159,795</u>	<u>214,831</u>
	<u>160,045</u>	<u>215,081</u>
Cash equivalents:		
Time deposits	<u>52,128</u>	<u>77,910</u>
	<u>\$ 212,173</u>	<u>\$ 292,991</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. The Company has no cash and cash equivalents pledged to others as of December 31, 2021 and 2020.

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

<u>Assets</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	<u>\$ 86,954</u>	<u>\$ 87,084</u>
<u>Liabilities</u>		
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives - forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 218</u>

A. Amounts recognized in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets and liabilities mandatorily measured at fairvalue through profit or loss	<u>(\$ 896)</u>	<u>(\$ 13,091)</u>

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

Derivative instruments	December 31, 2020	
	Contract amount (notional principal in thousands)	Contract period
Forward foreign exchange selling contracts	USD 2,000	Dec., 2020 ~ March, 2021

None of above situation in 2021.

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of operating activities' proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- C. The Company has no financial assets at fair value through profit or loss pledged to others as of December 31, 2021 and 2020.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), 'Financial instruments'.

(3) Financial assets at amortized cost

	December 31, 2021	December 31, 2020
Current items:		
Bonds	\$ <u>                    -</u>	\$ <u>                  38,026</u>
Non-current items:		
Bonds	\$ <u>                  30,230</u>	\$ <u>                  30,421</u>

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

	For the years ended December 31,	
	2021	2020
Interest income	\$ 1,539	\$ 4,858
Loss on disposal of investment	<u>                    -</u>	<u>(                  1,016)</u>
	\$ <u>                  1,539</u>	\$ <u>                  3,842</u>

- B. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company were approximately equal to its carrying amounts.
- C. The Company has no financial assets at amortized cost pledged to others as of December 31, 2021 and 2020.
- D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), 'Financial instruments'.

(4) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 380	\$ 378
Accounts receivable	\$ 1, 102, 197	\$ 1, 112, 177
Less: Allowance for uncollectible accounts (Note)	( 4, 310)	( 124, 052)
	<u>\$ 1, 097, 887</u>	<u>\$ 988, 125</u>

Note: The uncollectible accounts have been written-off for the three months ended March 31, 2021.

A. The ageing analysis of accounts receivable and notes 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	\$ 380	\$ 1, 073, 106	\$ 378	\$ 926, 253
Up to 30 days	–	9, 953	–	21, 628
31 to 90 days	–	3, 192	–	10, 465
Over 91 days	–	15, 946	–	153, 831
	<u>\$ 380</u>	<u>\$ 1, 102, 197</u>	<u>\$ 378</u>	<u>\$ 1, 112, 177</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$1,155,460.

C. The Company does not hold any collateral pledged for notes and accounts receivable as of December 31, 2021 and 2020.

D. The Company has no notes and accounts receivable pledged to others as of December 31, 2021 and 2020.

E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 365, 577	\$ –	\$ 365, 577
Work in progress	379, 753	–	379, 753
	<u>\$ 745, 330</u>	<u>\$ –</u>	<u>\$ 745, 330</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 111,855	\$ –	\$ 111,855
Work in progress	329,640	–	329,640
	<u>\$ 441,495</u>	<u>\$ –</u>	<u>\$ 441,495</u>

The cost of inventories recognized as expense:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	\$ 5,106,391	\$ 5,520,814
Income from sale of scrap	( 6,031)	( 6,342)
	<u>\$ 5,100,360</u>	<u>\$ 5,514,472</u>

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

Items	December 31, 2021	December 31, 2020
Equity instruments		
Listed stocks	1,452	1,452
Valuation adjustment	( 813)	( 976)
	<u>\$ 639</u>	<u>\$ 476</u>

A. The Company has elected to classify equity investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$639 and \$467 as of December 31, 2021 and 2020, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2021	2020
Fair value change	<u>\$ 163</u>	<u>(\$ 94)</u>

C. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was the book value.

D. The Company has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2021 and 2020.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.

(7) Investments accounted for under equity method

A. Movements of investments accounted for under equity method:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
At January 1	\$ 2,074,043	\$ 2,391,434
Acquisition of investments accounted for under equity method	–	52,500
Return capital in advance from liquidation of investments accounted for under equity method	( 2,948)	–
Proceeds from liquidation of investments accounted for under equity method	( 33,612)	–
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	( 178,105)	( 135,592)
Share of other comprehensive loss of associates and joint ventures accounted for under equity method	( 16,362)	( 1,566)
Dividends received from investments of associates and joint ventures accounted for under equity method	–	( 72,130)
Changes in equity of investment of associates and joint ventures accounted for under equity method	–	( 1,604)
Exchange differences on translation of foreign financial statements	( 48,852)	( 95,669)
Impairment loss recognized in investments accounted for under equity method	–	( 49,970)
Difference between the acquisition price and carrying amount of subsidiaries	–	( 4,724)
Credit balance of investments transferred from other non-current liabilities	–	( 8,636)
At December 31	<u>\$ 1,794,164</u>	<u>\$ 2,074,043</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 1,784,769	\$ 2,027,584
Joint ventures	<u>9,395</u>	<u>46,459</u>
	<u>\$ 1,794,164</u>	<u>\$ 2,074,043</u>

C. Subsidiaries

- (a) For more information regarding the subsidiaries of the Company, please refer to Note 4(3) “Basis of consolidation” of the Company and subsidiaries’ consolidated financial statements of 2021
- (b) The Company acquired 30% of the share capital of the subsidiary, Beyoung Fashion Co., Ltd., for \$2,500 from the non-controlling interest shareholders in the fourth quarter of 2020. After Beyoung Fashion Co., Ltd. became a wholly-owned subsidiary of the Company, it reduced its capital to offset accumulated deficits amounting to \$80,311 and increased its capital

amounting to \$50,000 as resolved by the Board of Directors in the fourth quarter of 2020.

- (c) The subsidiary of the Company, Fortune International Co., Ltd., returned the Company's remaining capital amounting to \$2,948 on May 19, 2021 after the liquidation and dissolution procedures had been completed.

D. Joint venture

- (a) In the fourth quarter of 2020, the Board of Directors resolved to shut down JEI JOM Enterprise Co., Ltd., a subsidiary of the Company's joint venture, New Premium Enterprise Co., Ltd. The Company recognized an impairment loss of \$49,970 (shown as other gains and losses) for the year ended December 31, 2020.
  - (b) The Company's joint venture, New Premium Enterprise Co., Ltd., returned capital from liquidation amounting to \$33,612 in advance in the second quarter of 2021 due to the liquidation and dissolution of its subsidiary. The amount will be settled after the subsidiary is liquidated and dissolved. However, the liquidation and dissolution process has not yet been completed as of December 31, 2021.
- E. As of December 31, 2021 and 2020, the Company has no investment accounted for under equity method pledged to others as collateral.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation and office equipment	Total
<u>January 1, 2021</u>						
Cost	\$ 258,971	\$ 242,638	\$ 10,675	\$ 243	\$ 32,475	\$ 545,002
Accumulated depreciation	–	( 128,116)	( 5,650)	( 157)	( 20,263)	( 154,186)
	<u>\$ 258,971</u>	<u>\$ 114,522</u>	<u>\$ 5,025</u>	<u>\$ 86</u>	<u>\$ 12,212</u>	<u>\$ 390,816</u>
<u>For the year ended December 31, 2021</u>						
At January 1	\$ 258,971	\$ 114,522	\$ 5,025	\$ 86	\$ 12,212	\$ 390,816
Additions	–	648	1,666	–	1,791	4,105
Transferred from prepayment for equipment	–	1,994	–	–	–	1,994
Depreciation	–	( 5,452)	( 1,729)	( 36)	( 3,684)	( 10,901)
Disposals - cost	–	( 6,010)	( 2,053)	–	( 3,097)	( 11,160)
- accumulated depreciation	–	6,004	1,975	–	3,076	11,055
At December 31	<u>\$ 258,971</u>	<u>\$ 111,706</u>	<u>\$ 4,884</u>	<u>\$ 50</u>	<u>\$ 10,298</u>	<u>\$ 385,909</u>
<u>December 31, 2021</u>						
Cost	\$ 258,971	\$ 239,270	\$ 10,288	\$ 243	\$ 31,169	\$ 539,941
Accumulated depreciation	–	( 127,564)	( 5,404)	( 193)	( 20,871)	( 154,032)
	<u>\$ 258,971</u>	<u>\$ 111,706</u>	<u>\$ 4,884</u>	<u>\$ 50</u>	<u>\$ 10,298</u>	<u>\$ 385,909</u>

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation and office equipment	Total
<u>January 1, 2020</u>						
Cost	\$ 258,971	\$ 242,828	\$ 12,208	\$ 243	\$ 23,986	\$ 538,236
Accumulated depreciation	–	( 122,759)	( 5,830)	( 121)	( 17,287)	( 145,997)
	<u>\$ 258,971</u>	<u>\$ 120,069</u>	<u>\$ 6,378</u>	<u>\$ 122</u>	<u>\$ 6,699</u>	<u>\$ 392,239</u>
<u>For the year ended December 31, 2020</u>						
At January 1	\$ 258,971	\$ 120,069	\$ 6,378	\$ 122	\$ 6,699	\$ 392,239
Additions	–	–	530	–	8,854	9,384
Depreciation	–	( 5,544)	( 1,697)	( 36)	( 3,338)	( 10,615)
Disposals - cost	–	( 190)	( 2,063)	–	( 365)	( 2,618)
- accumulated depreciation	–	187	1,877	–	362	2,426
At December 31	<u>\$ 258,971</u>	<u>\$ 114,522</u>	<u>\$ 5,025</u>	<u>\$ 86</u>	<u>\$ 12,212</u>	<u>\$ 390,816</u>
<u>December 31, 2020</u>						
Cost	\$ 258,971	\$ 242,638	\$ 10,675	\$ 243	\$ 32,475	\$ 545,002
Accumulated depreciation	–	( 128,116)	( 5,650)	( 157)	( 20,263)	( 154,186)
	<u>\$ 258,971</u>	<u>\$ 114,522</u>	<u>\$ 5,025</u>	<u>\$ 86</u>	<u>\$ 12,212</u>	<u>\$ 390,816</u>

- A. The Company's property, plant and equipment are all occupied by the owner for operating purpose as of December 31, 2021 and 2020.
- B. The Company has not capitalised any interest for the years ended December 31, 2021 and 2020.
- C. Please refer to Note 8, 'Pledged assets' for information on the Company's property, plant and equipment that were pledged as collateral as at December 31, 2021 and 2020.

(9) Leasing arrangements – lessor

- A. The Company leases various assets including investment property. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. For the years ended December 31, 2021 and 2020, the Company recognized rent income in the amounts of \$2,703 and \$2,767, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2021	December 31, 2020
Within 1 year	\$ 2,280	\$ 2,261
1 ~ 5 years	1,724	2,684
Over 5 years	481	601
	<u>\$ 4,485</u>	<u>\$ 5,546</u>

(10) Investment property - net

	Land	Buildings	Total
<u>January 1, 2021</u>			
Cost	\$ 95,130	\$ 70,162	\$ 165,292
Accumulated depreciation	–	( 28,743)	( 28,743)
	<u>\$ 95,130</u>	<u>\$ 41,419</u>	<u>\$ 136,549</u>
<u>For the year ended December 31, 2021</u>			
At January 1	\$ 95,130	\$ 41,419	\$ 136,549
Depreciation	–	( 1,913)	( 1,913)
Disposals - cost	–	( 534)	( 534)
- accumulated depreciation	–	531	531
At December 31	<u>\$ 95,130</u>	<u>\$ 39,503</u>	<u>\$ 134,633</u>
<u>December 31, 2021</u>			
Cost	\$ 95,130	\$ 69,628	\$ 164,758
Accumulated depreciation	–	( 30,125)	( 30,125)
	<u>\$ 95,130</u>	<u>\$ 39,503</u>	<u>\$ 134,633</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2020</u>			
Cost	\$ 95,130	\$ 69,058	\$ 164,188
Accumulated depreciation	<u>–</u>	<u>( 27,281)</u>	<u>( 27,281)</u>
	<u>\$ 95,130</u>	<u>\$ 41,777</u>	<u>\$ 136,907</u>
<u>For the year ended December 31, 2020</u>			
At January 1	\$ 95,130	\$ 41,777	\$ 136,907
Additions	–	1,540	1,540
Depreciation	–	( 1,895)	( 1,895)
Disposals - cost	–	( 436)	( 436)
- accumulated depreciation	<u>–</u>	<u>433</u>	<u>433</u>
At December 31	<u>\$ 95,130</u>	<u>\$ 41,419</u>	<u>\$ 136,549</u>
<u>December 31, 2020</u>			
Cost	\$ 95,130	\$ 70,162	\$ 165,292
Accumulated depreciation	<u>–</u>	<u>( 28,743)</u>	<u>( 28,743)</u>
	<u>\$ 95,130</u>	<u>\$ 41,419</u>	<u>\$ 136,549</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment property (listed as “Other income”)	<u>\$ 2,546</u>	<u>\$ 2,551</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 1,913</u>	<u>\$ 1,895</u>

- B. The fair value of the investment property held by the Company as of December 31, 2021 and 2020 was \$412,147 and \$355,967, respectively. Valuations were made based on most recent transaction prices of similar and comparable properties and official price, which is categorised within Level 2 in the fair value hierarchy.
- C. The Company has not capitalized any interest for the years ended December 31, 2021 and 2020.
- D. The Company has no investment property pledged to others as of December 31, 2021 and 2020.

(11) Intangible assets

	For the years ended December 31,	
	2021	2020
<u>January 1, 2021</u>		
Cost	\$ 26,731	\$ 20,593
Accumulated amortization	( 6,970)	( 2,276)
	<u>\$ 19,761</u>	<u>\$ 18,317</u>
<u>For the year ended December 31, 2021</u>		
At January 1	\$ 19,761	\$ 18,317
Additions — acquired separately	3,189	4,565
Reclassifications (Note)	—	2,952
Amortization	( 7,219)	( 6,073)
Disposals - cost	( 900)	( 1,379)
- accumulated amortization	900	1,379
At December 31	<u>\$ 15,731</u>	<u>\$ 19,761</u>
<u>December 31, 2021</u>		
Cost	\$ 29,020	\$ 26,731
Accumulated amortization	( 13,289)	( 6,970)
	<u>\$ 15,731</u>	<u>\$ 19,761</u>

Note: Transferred from prepayment for equipment.

A. The Company has not capitalised any borrowing costs for the years ended December 31, 2021 and 2020.

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2021	2020
General and administrative expenses	<u>\$ 7,219</u>	<u>\$ 6,073</u>

(12) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured bank borrowings	<u>\$ 834,707</u>	0.43%~0.90%	None
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured bank borrowings	<u>\$ 488,280</u>	0.81%~1.10%	None

Please refer to Note 6(23), “Finance costs” for more information about interest expense recognized by the Company for the years ended December 31, 2021 and 2020.

(13) Short-term notes and bills payable

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Commercial paper payable	\$ 150,000	0.91%~0.92%	None
Less: Unamortized discount	( 28)		
	<u>\$ 149,972</u>		
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Commercial paper payable	\$ 175,000	0.92%~0.97%	None
Less: Unamortized discount	( 62)		
	<u>\$ 174,938</u>		

A. The above commercial papers were issued and secured by China Bills Finance Co., Ltd., etc., for short-term capital financing.

B. Please refer to Note 6(23), "Finance costs" for more information about interest expense recognized by the Company for the years ended December 31, 2021 and 2020.

(14) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 7.5% 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. The information on the Company's defined benefit pension plan is as follows:

(a) The amounts recognized in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$ 81,021)	(\$ 97,769)
Fair value of plan assets	<u>71,948</u>	<u>81,560</u>
Net defined benefit liabilities	<u>(\$ 9,073)</u>	<u>(\$ 16,209)</u>

(b) Movements in present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1, 2021	(\$ 97,769)	\$ 81,560	(\$ 16,209)
Current service cost	( 342)	–	( 342)
Interest (expense) income	( 294)	245	( 49)
	( 98,405)	81,805	( 16,600)
Remeasurements:			
Return on plan assets	–	1,233	1,233
Change in demographic assumptions	( 58)	–	( 58)
Change in financial assumptions	2,569	–	2,569
Experience adjustments	183	–	183
	2,694	1,233	3,927
Pension fund contribution	–	3,600	3,600
Paid pension	14,690	( 14,690)	–
At December 31, 2021	(\$ 81,021)	\$ 71,948	(\$ 9,073)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1, 2020	(\$ 91,651)	\$ 76,154	(\$ 15,497)
Current service cost	( 360)	–	( 360)
Interest (expense) income	( 641)	533	( 108)
	( 92,652)	76,687	( 15,965)
Remeasurements:			
Return on plan assets	–	2,521	2,521
Change in financial assumptions	( 3,133)	–	( 3,133)
Experience adjustments	( 5,332)	–	( 5,332)
	( 8,465)	2,521	( 5,944)
Pension fund contribution	–	5,700	5,700
Paid pension	3,348	( 3,348)	–
At December 31, 2020	(\$ 97,769)	\$ 81,560	(\$ 16,209)

- (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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual

distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the 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 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	0.07%	0.03%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 6<sup>th</sup> and 5<sup>th</sup> Mortality Table for the years ended December 31, 2021 and 2020, respectively.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 1,506)	\$ 1,555	\$ 1,338	(\$ 1,306)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 1,977)	\$ 2,044	\$ 1,766	(\$ 1,721)

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 next year amount to \$3,600.

(f) As of December 31, 2021, the weighted average duration of the retirement plan is 8 years.

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 \$11,766 and \$12,402, respectively.

(15) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows:

(Units: in thousand shares)

	For the years ended December 31,	
	2021	2020
Beginning and ending balance	<u>146,154</u>	<u>146,154</u>

B. As of December 31, 2021, the Company’s authorized capital was \$2,000,000 (including \$100,000 thousand shares reserved for employee stock options) and paid-in capital was \$1,471,535, consisting of 147,154 thousand shares of ordinary stock with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company’s treasury shares are as follows: (Units: in thousand shares)

	For the year ended December 31, 2021			
Reason for reacquisition	Beginning Balance	Additions	Decrease	Ending Balance
To be reissued to employees	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>1,000</u>

  

	For the year ended December 31, 2020			
Reason for reacquisition	Beginning Balance	Additions	Decrease	Ending Balance
To be reissued to employees	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>1,000</u>

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company’s issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The balance of treasury shares after reacquisition and reissue to employees of the Company for the years ended December 31, 2021 and 2020 was both \$22,663.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the

five-year period are to be retired.

(16) Capital surplus

- A. 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.
- B. Movements of the Company's capital surplus for the years ended December 31, 2021 and 2020 are as follows:

For the year ended December 31, 2021	Share premium	Difference between the acquisition or disposal price and carrying amount of subsidiaries	Changes in ownership interests in subsidiaries	Change in net equity of subsidiaries, associates and joint ventures accounted for under equity method	Expired employee stock option	Others	Total
At January 1	\$785,295	\$ 20,166	\$ 46,042	\$ 12,814	\$1,252	\$9,074	\$874,643
Cash distribution from capital surplus	( 29,231)	-	-	-	-	-	( 29,231)
At December 31	<u>\$756,064</u>	<u>\$ 20,166</u>	<u>\$ 46,042</u>	<u>\$ 12,814</u>	<u>\$1,252</u>	<u>\$9,074</u>	<u>\$845,412</u>

For the year ended December 31, 2020	Share premium	Difference between the acquisition or disposal price and carrying amount of subsidiaries	Changes in ownership interests in subsidiaries	Change in net equity of subsidiaries, associates and joint ventures accounted for under equity method	Expired employee stock option	Others	Total
At January 1	\$785, 295	\$ 26, 499	\$ 46, 042	\$ 12, 809	\$1, 252	\$9, 074	\$880, 971
Transactions with non-controlling interests of subsidiaries	-	( 4, 724)	-	-	-	-	( 4, 724)
Adjustment for change in capital surplus of investee companies (note)	-	( 1, 609)	-	5	-	-	( 1, 604)
At December 31	<u>\$785, 295</u>	<u>\$ 20, 166</u>	<u>\$ 46, 042</u>	<u>\$ 12, 814</u>	<u>\$1, 252</u>	<u>\$9, 074</u>	<u>\$874, 643</u>

Note: Refers to the difference between consideration and carrying amount arising from equity transactions between the subsidiary, Tainan Enterprise (BVI) Co., Limited, and the non-controlling interest shareholders of the second-tier subsidiary and the expired portion of cash capital increase reserved for employee preemption of the subsidiary, Beyoung Fashion Co., Ltd., which the Company recognized in proportion to its ownership.

- C. The Company recognized the cash disbursement from capital surplus as \$29,231 (\$0.2 (in dollars) per share) in 2021. On March 22, 2022 the Board and Directors proposed for the distribution of dividends from the capital surplus in the amount of \$14,615 (\$0.1 (in dollars) per share).

(17) 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 prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations. The remainder, if any, shall be the current distributable earnings. The current distributable earnings along with the unappropriated earnings in the prior year shall be the accumulated distributable earnings which shall be proposed by the Board of Directors and resolved by the shareholders as dividends to shareholders. The Company's dividend policy shall

take into account current and future development plan, investment environment, capital needs, domestic and foreign competition, and capital budget, etc. along with shareholders' interests. Each year, at least 30% of the current distributable earnings shall be appropriated as dividends. The dividends can be distributed in the form of cash or shares and cash dividends shall account for at least 10% of the total dividends distributed.

- C. 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.
- D. For the years ended December 31, 2021 and 2020, the Company recognized cash dividends distributed to owners amounting to \$— and \$73,077 (\$0.5 (in dollars) per share), respectively. On March 22, 2022, the Board of Directors proposed not to distribute from 2021 earnings except setting aside special surplus reserve in the amount of \$41,919.

(18) Other equity items

For the year ended December 31, 2021	Currency translation difference	Financial assets at fair value through other comprehensive income	Total
At January 1	(\$ 159,201)	(\$ 3,604)	(\$ 162,805)
Currency translation differences:			
–Company	( 48,852)	–	( 48,852)
–Subsidiaries	14	–	14
Unrealized valuation profit or loss of financial assets at fair value through other comprehensive income			
–Company	–	163	163
–Subsidiaries	–	( 611)	( 611)
At December 31	<u>(\$ 208,039)</u>	<u>(\$ 4,052)</u>	<u>(\$ 212,091)</u>

For the year ended December 31, 2020	Currency translation difference	Financial assets at fair value through other comprehensive income	Total
At January 1	(\$ 63,372)	\$ 92	(\$ 63,280)
Currency translation differences:			
–Company	( 95,669)	–	( 95,669)
–Subsidiaries	( 160)	–	( 160)
Unrealized valuation profit or loss of financial assets at fair value through other comprehensive income			
–Company	–	( 94)	( 94)
–Subsidiaries	–	( 3,602)	( 3,602)
At December 31	<u>(\$ 159,201)</u>	<u>(\$ 3,604)</u>	<u>(\$ 162,805)</u>

(19) Operating revenue

A. The Company derives revenue from the transfer of goods and services over time and at a point in time, and mainly come from various products of apparels and consultation services.

	For the years ended December 31,	
	2021	2020
Timing of revenue recognition		
At a point in time		
Sales revenue	\$ 5,362,192	\$ 5,649,700
Over time		
Services revenue	<u>237,278</u>	<u>258,201</u>
	<u>\$ 5,599,470</u>	<u>\$ 5,907,901</u>

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - current	<u>\$ 7,474</u>	<u>\$ 8,035</u>	<u>\$ 1,168</u>
	For the years ended December 31,		
	2021	2020	
Revenue recognized that was included in the contract liability balance at the beginning of the year - receipts in advance	<u>\$ 8,035</u>	<u>\$ 1,168</u>	

(20) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 1, 912	\$ 751
Interest income from financial assets measured at amortised cost	1, 539	4, 858
Others	933	7, 061
	<u>\$ 4, 384</u>	<u>\$ 12, 670</u>

(21) Other income

	For the years ended December 31,	
	2021	2020
Rental income	\$ 2, 703	\$ 2, 767
Government grants income	1, 730	1, 010
Dividend income	–	8
Others	5, 913	10, 434
	<u>\$ 10, 346</u>	<u>\$ 14, 219</u>

(22) Other gains and losses

	For the years ended December 31,	
	2021	2020
Net gains on financial assets and liabilities at fair value through profit or loss	\$ 218	\$ 9, 805
Net currency exchange gain (loss)	3, 122 (	29, 959)
Loss on disposal of investments	( 1, 114) (	24, 730)
Net loss on disposal of property, plant and equipment	( 105) (	192)
Net loss on disposal of investment property	( 3) (	3)
Impairment loss	– (	49, 970)
Other losses	( 1, 913) (	1, 895)
	<u>\$ 205</u>	<u>(\$ 96, 944)</u>

(23) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	<u>\$ 6, 208</u>	<u>\$ 16, 116</u>

(24) Expenses by nature

For the year ended December 31, 2021			
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 36,818	\$ 274,084	\$ 310,902
Depreciation charges on property, plant and equipment	1,200	9,701	10,901
Depreciation charges on investment property (note)	–	1,913	1,913
Amortisation charges on intangible assets	–	7,219	7,219
	<u>\$ 38,018</u>	<u>\$ 292,917</u>	<u>\$ 330,935</u>

  

For the year ended December 31, 2020			
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 32,784	\$ 269,100	\$ 301,884
Depreciation charges on property, plant and equipment	1,200	9,415	10,615
Depreciation charges on investment property (note)	–	1,895	1,895
Amortisation charges on intangible assets	–	6,073	6,073
	<u>\$ 33,984</u>	<u>\$ 286,483</u>	<u>\$ 320,467</u>

Note: shown as ‘other gains and losses’.

(25) Employee benefit expense

For the year ended December 31, 2021			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 30,780	\$ 236,298	\$ 267,078
Labor and health insurance expenses	3,312	22,812	26,124
Pension costs	1,100	11,057	12,157
Other personnel expenses	1,626	3,917	5,543
	<u>\$ 36,818</u>	<u>\$ 274,084</u>	<u>\$ 310,902</u>

	For the year ended December 31, 2020		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 27,440	\$ 230,128	\$ 257,568
Labor and health insurance expenses	2,942	22,955	25,897
Pension costs	990	11,880	12,870
Other personnel expenses	1,412	4,137	5,549
	<u>\$ 32,784</u>	<u>\$ 269,100</u>	<u>\$ 301,884</u>

- A. For the years ended December 31, 2021 and 2020, the average number of employees of the Company were 437 and 467 employees, respectively, including 8 non-employee directors for both years.
- B. The average employee benefit expenses per employee were \$725 and \$658, while average wages and salaries per employee were \$623 and \$561 for the years ended December 31, 2021 and 2020, respectively. The average wages and salaries for the year ended December 31, 2021 increased approximately by 11.05% compared to the year ended December 31, 2020.
- C. Since the Company has set up an audit committee, there was no supervisors' remuneration for the years ended December 31, 2021 and 2020.
- D. In accordance with the Articles of Incorporation of the Company and relevant internal management regulations, for remuneration of directors and managerial officers, the remuneration committee of the Company shall evaluate performance assessments and compensation levels of directors and managerial officers by taking into account the general pay levels in the industry and the reasonableness of the correlation between the individual's performance, the Company's operational performance and future risk exposure; compensation of employees was set according to personal ability, participation and value of contribution in the Company's operations and has positive correlations to operation performance.
- E. 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' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration.
- F. The Company did not accrue employees' compensation and directors' remuneration as it incurred a loss for the year ended December 31, 2021. According to the resolution of the Board of Directors on March 23, 2021, the Company did not accrue employees' compensation and directors' remuneration as it incurred a loss for the year ended December 31, 2020. The resolution was in agreement with those amounts recognized in the 2020 financial statements.
- Information about employees' compensation and directors' and supervisors' remuneration of the Company as proposed by the Board Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

	For the years ended December 31,	
	2021	2020
Current income tax:		
Income tax incurred in current year	\$ 518	\$ 2,394
(Over) under provision of prior year's income tax payable	(308)	7,921
	<u>210</u>	<u>10,315</u>
Deferred income tax:		
Origination and reversal of temporary differences	(3,387)	(36,830)
Income tax benefit	<u>(\$ 3,177)</u>	<u>(\$ 26,515)</u>

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

	For the years ended December 31,	
	2021	2020
Remeasurement on defined benefit obligations	<u>\$ 786</u>	<u>(\$ 1,189)</u>

B. Reconciliation between income tax benefit and accounting loss:

	For the years ended December 31,	
	2021	2020
Tax calculated based on loss before tax and statutory tax rate	(\$ 27,656)	(\$ 77,024)
Effect from items disallowed by tax regulation	24,977	42,590
Effect from tax exempt income by tax regulation	(190)	(2)
(Over) under provision of prior year's income tax payable	(308)	7,921
Income tax benefit	<u>(\$ 3,177)</u>	<u>(\$ 26,515)</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

	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Unused compensated absences	\$ 1,891	\$ 9	\$ -	\$ 1,900
Pensions	4,950	( 642)	( 786)	3,522
Unrealized loss on currency exchange	3,134	1,404	-	4,538
Unrealized loss on investment	14,774	-	-	14,774
Tax losses	<u>19,351</u>	<u>2,616</u>	<u>-</u>	<u>21,967</u>
	<u>\$ 44,100</u>	<u>\$ 3,387</u>	<u>(\$ 786)</u>	<u>\$ 46,701</u>
Deferred tax liabilities:				
Temporary differences:				
Incremental tax on land revaluation	(\$ 33,178)	\$ -	\$ -	(\$ 33,178)
Unrealized gain on investment	<u>( 6,564)</u>	<u>-</u>	<u>-</u>	<u>( 6,564)</u>
	<u>(\$ 39,742)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 39,742)</u>
	<u>\$ 4,358</u>	<u>\$ 3,387</u>	<u>(\$ 786)</u>	<u>\$ 6,959</u>

For the year ended December 31, 2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Unused compensated absences	\$ 1,703	\$ 188	\$ –	\$ 1,891
Pensions	4,807	( 1,046)	1,189	4,950
Unrealized loss on currency exchange	3,592	( 458)	–	3,134
Unrealized loss on investment	4,780	9,994	–	14,774
Tax losses	–	19,351	–	19,351
Investment tax credits	<u>\$ 14,882</u>	<u>\$ 28,029</u>	<u>\$ 1,189</u>	<u>\$ 44,100</u>

Deferred tax liabilities:				
Temporary differences:				
Incremental tax on land revaluation	(\$ 33,178)	\$ –	\$ –	(\$ 33,178)
Unrealized gain on investment income	( 15,365)	8,801	–	( 6,564)
	<u>(\$ 48,543)</u>	<u>\$ 8,801</u>	<u>\$ –</u>	<u>(\$ 39,742)</u>
	<u>(\$ 33,661)</u>	<u>\$ 36,830</u>	<u>\$ 1,189</u>	<u>\$ 4,358</u>

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

December 31, 2021				
Year incurred	Amount filed	Unused amount	Unrecognized deferred tax assets	Expiry year
2020	\$ 98,249	\$ 98,249	\$ –	2030
2021	11,584	11,584	–	2031
	<u>\$ 109,833</u>	<u>\$ 109,833</u>	<u>\$ –</u>	
December 31, 2020				
Year incurred	Amount filed	Unused amount	Unrecognized deferred tax assets	Expiry year
2020	<u>\$ 96,754</u>	<u>\$ 96,754</u>	<u>\$ –</u>	2030

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences		
Unrealized loss on investment	\$ 1, 150, 385	\$ 972, 332
Allowance for doubtful accounts that exceeded the allowable tax limit	<u>55, 670</u>	<u>116, 250</u>
	<u>\$ 1, 206, 055</u>	<u>\$ 1, 088, 582</u>

F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 22, 2022.

(27) Loss per share

	<u>Year ended December 31, 2021</u>		
	Weighted average number of ordinary shares outstanding		Loss per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	( <u>\$ 135, 104</u> )	<u>146, 154</u>	( <u>\$ 0. 92</u> )
	<u>Year ended December 31, 2020</u>		
	Weighted average number of ordinary shares outstanding		Loss per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	( <u>\$ 358, 606</u> )	<u>146, 154</u>	( <u>\$ 2. 45</u> )

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 4, 105	\$ 9, 384
Add: Beginning balance of payable for equipment (listed as "Other payables")	593	201
Less: Ending balance of payable for equipment (listed as "Other payables")	( 301)	( 593)
Cash paid for acquisition of property, plant and equipment	<u>\$ 4, 397</u>	<u>\$ 8, 992</u>

B. Operating and investing activities with no cash flow effects:

	For the years ended December 31,	
	2021	2020
(a) Write-off of allowance for doubtful accounts	<u>\$ 125, 797</u>	<u>\$ -</u>
(b) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 1, 994</u>	<u>\$ -</u>
(c) Prepayments for equipment reclassified to intangible assets	<u>\$ -</u>	<u>\$ 2, 952</u>
(d) Prepayments for equipment reclassified to other non-current assets	<u>\$ -</u>	<u>\$ 1, 536</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Guarantee deposits received	Total liabilities from financing activities
At January 1, 2021	\$ 488, 280	\$ 174, 938	\$ 331	\$ 663, 549
Changes in cash flow from financing activities	346, 427	( 25, 000)	-	321, 427
Changes in other non-cash items	-	34	-	34
At December 31, 2021	<u>\$ 834, 707</u>	<u>\$ 149, 972</u>	<u>\$ 331</u>	<u>\$ 985, 010</u>

  

	Short-term borrowings	Short-term notes and bills payable	Guarantee deposits received	Total liabilities from financing activities
At January 1, 2020	\$ 628, 664	\$ 99, 945	\$ 335	\$ 728, 944
Changes in cash flow from financing activities	( 140, 384)	75, 000	( 4)	( 65, 388)
Changes in other non-cash items	-	( 7)	-	( 7)
At December 31, 2020	<u>\$ 488, 280</u>	<u>\$ 174, 938</u>	<u>\$ 331</u>	<u>\$ 663, 549</u>

## 7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
P.T.Tainan Enterprises Indonesia	Subsidiary
Tainan Enterprises (Vietnam) Co., Ltd.	Subsidiary
PT. ANDALAN MANDIRI BUSANA	Subsidiary
TAI NAN ENTERPRISES (CAMBODIA) CO., LTD.	Subsidiary
Beyoung Fashion Co., Ltd.	Subsidiary
Yixing Gaoqing Garments Co., Ltd.	Subsidiary
Gin-Sovann Fashion (Cambodia) Limited.	Subsidiary
Tainan Enterprise (Cayman) Co., Ltd.	Associate
TONY WEAR (Shanghai) Fashion Co., Ltd.	Associate
New Premium Enterprise Co., Ltd.	Joint ventures
JEI JOM Enterprise Co., Ltd.	Joint ventures
Nelson Sport Co., Ltd.	Other related party

### (2) Significant related party transactions

#### A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods (note):		
P.T.Tainan Enterprises Indonesia	\$ 5,609	\$ 6,447
Beyoung Fashion Co., Ltd.	4,029	2,028
Subsidiaries	50	-
Other related parties	-	2,206
	<u>9,688</u>	<u>10,681</u>
Sales of services:		
TAI NAN ENTERPRISES (CAMBODIA) CO., LTD.	65,880	73,977
P.T.Tainan Enterprises Indonesia	60,367	71,916
PT. ANDALAN MANDIRI BUSANA	41,518	42,984
Yixing Gaoqing Garments Co., Ltd.	25,609	19,912
Tainan Enterprises (Vietnam) Co., Ltd.	25,118	26,073
Subsidiaries	18,783	21,773
Joint ventures	-	1,555
	<u>237,275</u>	<u>258,190</u>
	<u>\$ 246,963</u>	<u>\$ 268,871</u>

The collection period for related parties was 4 months after sales of goods, and for the third parties was 30 ~ 120 days after the end of each month. Except for the collection periods mentioned above, other terms of sales were the same for related and third parties.

Note: Sales of goods refer to export of materials purchased domestically to overseas plants. The

Company does not recognize the amount as sales revenue. Related costs and expenses are also not recorded as profit or loss of the Company.

B. Purchases

	For the years ended December 31,	
	2021	2020
Purchases of goods:		
P.T.Tainan Enterprises Indonesia	\$ 1,249,510	\$ 1,508,340
The terms of purchases and payments (due within 4 months) to related parties were the same with third party suppliers.		

C. Processing cost of outsourcing

	For the years ended December 31,	
	2021	2020
TAI NAN ENTERPRISES (CAMBODIA) CO., LTD.	\$ 736,978	\$ 946,309
PT. ANDALAN MANDIRI BUSANA	381,858	418,450
Yixing Gaoqing Garments Co., Ltd.	307,779	246,620
Tainan Enterprises (Vietnam) Co., Ltd.	260,937	279,090
Gin-Sovann Fashion (Cambodia) Limited.	201,367	147,164
	<u>\$ 1,888,919</u>	<u>\$ 2,037,633</u>

D. Other income

	For the years ended December 31,	
	2021	2020
TONY WEAR (Shanghai) Fashion Co., Ltd.	\$ 2,187	\$ 2,267
Associates	228	228
Subsidiaries	54	96
	<u>\$ 2,469</u>	<u>\$ 2,591</u>

E. Investment transactions

The Company participated in the capital increase of the subsidiary, Beyoung Fashion Co., Ltd., in the amount of \$50,000.

F. Ending balance of sales of goods and services

	For the years ended December 31,	
	2021	2020
Accounts receivable:		
Subsidiaries	\$ 6,310	\$ 2,130

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

G. Ending balance of purchases of goods and services

	For the years ended December 31,	
	2021	2020
Accounts payable to related parties:		
Purchases of goods:		
P.T.Tainan Enterprises Indonesia	\$ 118,159	\$ 193,917
Purchases of services:		
PT. ANDALAN MANDIRI BUSANA	89,142	62,184
Yixing Gaoqing Garments Co., Ltd.	88,743	174,984
Tainan Enterprises (Vietnam) Co., Ltd.	48,349	27,318
TAINAN ENTERPRISES (CAMBODIA) CO., LTD.	–	31,270
Subsidiaries	–	2,262
	<u>\$ 226,234</u>	<u>\$ 298,018</u>

The payables to related parties arise mainly from purchase transactions and processing cost of outsourcing. The payables bear no interest.

H. Prepayments

	December 31, 2021	December 31, 2020
TAINAN ENTERPRISES (CAMBODIA) CO., LTD.	\$ 48,458	\$ –
Gin-Sovann Fashion (Cambodia) Limited	44,056	–
	<u>\$ 92,514</u>	<u>\$ –</u>

I. Ending balance of advance payments

	December 31, 2021	December 31, 2020
Accounts receivable to related parties:		
PT. ANDALAN MANDIRI BUSANA	\$ 1,340	\$ 3,817
P.T.Tainan Enterprises Indonesia	128	484
	<u>\$ 1,468</u>	<u>\$ 4,301</u>
Accounts payable to related parties:		
Subsidiaries	\$ –	\$ 403

J. Loans to related parties

	December 31, 2021	December 31, 2020
Accounts receivable to related parties:		
Tainan Enterprises (Vietnam) Co., Ltd. (Note)	<u>\$ 116,256</u>	<u>\$ 226,999</u>

The loans to associates are repayable over 1 years and the interest income was \$932 and \$3,084 for the years ended December 31, 2021 and 2020, respectively.

Note: The interest receivables from loans to related parties was \$— and \$2,007 as of December 31, 2021 and 2020, respectively.

(3) Key management compensation

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 22,883	\$ 22,630
Post-employment benefits	643	663
	<u>\$ 23,526</u>	<u>\$ 23,293</u>

8. PLEDGED ASSETS

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

Pledged asset	December 31, 2021	December 31, 2020	Purpose
Land (Note)	\$ 92,549	\$ 92,549	Guarantee for short-term borrowings
Buildings and structures, net (Note)	36,962	36,566	Guarantee for short-term borrowings
	<u>\$ 129,511</u>	<u>\$ 129,115</u>	

Note: listed as "property, plant and equipment".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2021 and 2020, the remaining balance due for construction in progress was \$2,272 and \$—, respectively.

(2) As of December 31, 2021 and 2020, the unused letters of credit amounted to \$102,369 and \$99,097, respectively.

(3) Please refer to Note 6(9), 'Leasing arrangements - lessor' for more information regarding operating lease agreements.

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 and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the number 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 86,954</u>	<u>\$ 87,084</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	<u>\$ 639</u>	<u>\$ 476</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 212,173	\$ 292,991
Financial assets at amortised cost	30,230	68,447
Notes receivable	380	378
Accounts receivable	1,097,887	988,125
Other receivables (including related parties)	119,907	236,923
Guarantee deposits paid	<u>186</u>	<u>186</u>
	<u>\$ 1,460,763</u>	<u>\$ 1,587,050</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	<u>\$ –</u>	<u>\$ 218</u>
Financial liabilities at amortised cost		
Short-term borrowings	\$ 834,707	\$ 488,280
Short-term notes and bills payable	149,972	174,938
Notes payable	8,447	5,108
Accounts payable (including related parties)	361,565	405,986
Other payables (including related parties)	338,123	389,942
Guarantee deposits received	<u>331</u>	<u>331</u>
	<u>\$ 1,693,145</u>	<u>\$ 1,464,585</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

- (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) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2), "Financial assets and liabilities at fair value through profit or loss".

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2), "Financial assets and liabilities at fair value through profit or loss".
- iv. The Company risk management policy is to hedge anticipated cash flows (mainly purchase of inventory that are priced in USD) in major foreign currency to reduce the risk position of major currencies.
- v. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.
- vi. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 47,613	27.68	\$ 1,317,918
RMB:NTD	19,719	4.344	85,660
<u>Investment accounted for   under equity method</u>			
USD:NTD	64,084	27.68	1,773,834
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	43,081	27.68	1,192,486
RMB:NTD	20,429	4.344	88,745
December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 52,245	28.48	\$ 1,487,949
RMB:NTD	35,118	4.377	153,712
<u>Investment accounted for   under equity method</u>			
USD:NTD	72,037	28.48	2,051,613
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	29,151	28.48	830,232
RMB:NTD	39,995	4.377	175,051

Sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated or depreciated by 1% with all other variables held constant, post-tax profit would have increased/decreased by \$1,223 and \$6,364 for the years ended December 31, 2021 and 2020, respectively.

- vii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company, amounted to \$3,122 and (\$29,959) for the years ended December 31, 2021 and 2020, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had decreased/increased by 1% with all other variables held constant, post-tax profit would have decreased/increased by \$870 and \$871 for the years ended December 31, 2021 and 2020, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$6 and \$5, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Company's interest rate risk arises from 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 2021 and 2020, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% or with all other variables held constant, profit, net of tax would have decreased/increased by \$50 and \$129 for the years ended December 31, 2021 and 2020, 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, and the contract cash flows of debt instruments stated at amortized cost.
- ii. The Company manages its credit risk taking into consideration the entire entity's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Company adopts management of credit risk, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument.
- iv. The Company adopts the assumptions under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customer's accounts receivable in accordance with credit rating of customer, collaterals, credit risk on trade, etc. The Company applies the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss. The Company uses the forecastability of conditions to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes receivable, accounts receivable and other receivables are as follows:

	<u>Expected loss rate</u>	<u>Book value</u>	<u>Allowance</u>
<u>At December 31, 2021</u>			
Individual D	0.00%	\$ 56,640	\$ –
Group A	0.41%	<u>1,045,557</u>	<u>4,310</u>
Total		<u>\$ 1,102,197</u>	<u>\$ 4,310</u>
<u>At December 31, 2020</u>			
Individual A	39.15%	\$ 95,693	\$ 37,459
Individual B	14.55%	183,274	26,672
Individual C	67.97%	13,980	9,503
Individual D	74.35%	67,813	50,418
Group A	0.07%	<u>751,417</u>	<u>–</u>
Total		<u>\$ 1,112,177</u>	<u>\$ 124,052</u>

- vi. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	For the years ended December 31,	
	2021	2020
At January 1	\$ 124, 052	\$ –
Provision for impairment	7, 044	124, 052
Transferred to income ( listed as ‘Other income’ )	( 989)	–
Write-offs	( 125, 797)	–
At December 31	<u>\$ 4, 310</u>	<u>\$ 124, 052</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in operating entities of the Company and aggregated by the Company’s Finance Department. Company’s Finance Department 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 Company treasury over and above the balance required for working capital management are transferred to the Company’s treasury. Company’s treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.
- iii. The Company has the following undrawn borrowing facilities:

	December 31, 2021	December 31, 2020
Floating rate:		
Expiring within one year	<u>\$ 2, 502, 859</u>	<u>\$ 2, 391, 900</u>

- iv. The table below analyses the Company’s non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. 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	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$835,905	\$ –	\$ –	\$ –
Short-term notes and bills payable	150,000	–	–	–
Notes payable	8,447	–	–	–
Accounts payable	243,406	–	–	–
Accounts payable - related parties	118,159	–	–	–
Other payables	111,889	–	–	–
Other payables - related parties	226,234	–	–	–
Guarantee deposit received	–	331	–	–
December 31, 2020	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$489,191	\$ –	\$ –	\$ –
Short-term notes and bills payable	175,000	–	–	–
Notes payable	5,108	–	–	–
Accounts payable	212,069	–	–	–
Accounts payable - related parties	193,917	–	–	–
Other payables	91,521	–	–	–
Other payables - related parties	298,421	–	–	–
Guarantee deposit received	–	331	–	–
Derivative financial liabilities:				
Forward foreign exchange contracts	218	–	–	–

- v. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

### (3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a

market in which transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in forward exchange is included in Level 2.

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

- B. Fair value information of investment property at cost is provided in Note 6(10) "Investment property - net".
- C. The carrying amounts of the Company's financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables (including related parties) and guarantee deposits received are approximate to their fair values.
- D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:
- (a) The related information of the nature of the assets and liabilities 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 profit or loss				
Equity securities	\$ -	\$ -	\$ 86,954	\$ 86,954
Financial assets at fair value through other comprehensive income				
Equity securities	<u>639</u>	<u>-</u>	<u>-</u>	<u>639</u>
	<u>\$ 639</u>	<u>\$ -</u>	<u>\$ 86,954</u>	<u>\$ 87,593</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 profit or loss				
Equity securities	\$ -	\$ -	\$ 87,084	\$ 87,084
Financial assets at fair value through other comprehensive income				
Equity securities	<u>476</u>	<u>-</u>	<u>-</u>	<u>476</u>
	<u>\$ 476</u>	<u>\$ -</u>	<u>\$ 87,084</u>	<u>\$ 87,560</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contract	<u>\$ -</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 218</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The instruments the Company used market quoted prices (closing price of listed shares) as their fair values (that is, Level 1).
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions.
- v. The valuation of derivative financial instruments is based on valuation model widely

accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

- vi. The market approach (Price-to-Book Ratio, P/B ratio) and asset approach (net book value adjustment) are used by the Company to measure its certain equity investment without active market, which is calculating the ratio of recent identical or similar transaction price to book as an observable input to project the fair value of the disposal group.
- (c) For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2, and there was also no transfer into or out from Level 3.
- (d) The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	Equity securities (Note)	Derivative financial instruments	Total
<u>For the year ended December 31, 2021</u>			
At January 1	\$ 87,084	\$ –	\$ 87,084
Proceeds from capital reduction	( 130)	–	( 130)
At December 31	<u>\$ 86,954</u>	<u>\$ –</u>	<u>\$ 86,954</u>
	Equity securities (Note)	Derivative financial instruments	Total
<u>For the year ended December 31, 2020</u>			
At January 1	\$ 87,237	(\$ 10,023)	\$ 77,214
Gain recognized in profit or loss	–	10,023	10,023
Proceeds from capital reduction	( 153)	–	( 153)
At December 31	<u>\$ 87,084</u>	<u>\$ –</u>	<u>\$ 87,084</u>

Note: There is no adjustment of equity securities in Level 3 for the years ended December 31, 2021 and 2020 because the fair value change was insignificant .

- (e) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument: Unlisted shares	\$ 92,894	The market approach (Price-to- Book Ratio) / Asset approach (net book value adjustment)	Discount for lack of marketability / Discount for lack of control	30%	The higher the discount for lack of marketability, the lower the fair value and the higher the discount for lack of control, the lower the fair value.

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument: Unlisted shares	\$ 89,089	The market approach (Price-to- Book Ratio) / Asset approach (net book value adjustment)	Discount for lack of marketability / Discount for lack of control	30%	The higher the discount for lack of marketability, the lower the fair value and the higher the discount for lack of control, the lower the fair value.

- (f) The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation

models have changed:

		December 31, 2021				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
	Input	Change				
Financial assets						
Equity instruments	Discount for lack of marketability and discount for lack of control	±10%	<u>\$ 8,428</u>	<u>(\$ 8,428)</u>	<u>\$ -</u>	<u>\$ -</u>
		December 31, 2020				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
	Input	Change				
Financial assets						
Equity instruments	Discount for lack of marketability and discount for lack of control	±10%	<u>\$ 8,526</u>	<u>(\$ 8,526)</u>	<u>\$ -</u>	<u>\$ -</u>

#### (4) Other information

Due to the impact of the Covid-19 pandemic and the government's multiple pandemic prevention measures, the Company has implemented measures related to work place sanitation management, continued to manage related matters and implemented a staggered work schedule to operate all its plants in compliance with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)". There were no significant adverse effects on various operations. However, the Company is a multinational corporation. Due to the impact of the Covid-19, the orders and the recovery of receivables have been affected to a certain extent as some governments such as the United States and Canada have implemented multiple pandemic prevention measures. The Company has also reduced the cancellation of orders by coordinating with its customers to defer the delivery. In addition, being impacted by the Covid-19 pandemic, certain

receivables amounting to \$125,383 were provisioned for impairment for the year ended December 31, 2020. Later in the first quarter of 2021, the amount was fully written-off as it was unlikely to be recovered based on the assessment.

### 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: None.
- C. Holding of marketable securities at the end of the period (excluding subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: All transactions had been cleared.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

#### (2) Information on investees

Names, locations and other information of investee companies (excluding investees in Mainland China) : Please refer to table 6.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 9.

### 14. SEGMENT INFORMATION

Not applicable.

Tainan Enterprises Co., Ltd.

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

Number	Name	Name of counterparty	Account	Related parties	Maximum balance	Ending balance	Actual amount drawn down	Interest rate	Nature of financial activity	Total transaction amount	Reason for financing	Allowance for doubtful accounts		Assets pledged		Loan limit per entity (Note 2)	Maximum amount available for loan (Note 2)	Footnote
														Item	Value			
0	Tainan Enterprises Co., Ltd.	Tainan Enterprises (Vietnam) Co., Ltd.	Other receivables	Y	\$ 249,120	\$ 193,760	\$ 116,256	0~2.5%	(Note 1)	\$ -	Financing use	\$ -	-	\$ -	-	\$ 916,126	\$ 916,126	—
1	Tainan Enterprise (BVI) Co., Limited	TAI NAN ENTERPRISES (CAMBODIA) CO., LTD.	Other receivables	Y	41,520	41,520	41,520	—	(Note 1)	-	Financing use	-	—	-	-	972,736	972,736	—
		PT. ANDALAN MANDIRI BUSANA	Other receivables	Y	179,920	152,240	119,024	—	(Note 1)	-	Financing use	-	—	-	-	972,736	972,736	—
		Tainan Enterprises (Vietnam) Co., Ltd.	Other receivables	Y	110,720	110,720	110,720	—	(Note 1)	-	Financing use	-	—	-	-	972,736	972,736	—
		YONG JENG INTERNATIONAL CO., LTD.	Other receivables	Y	83,040	69,200	56,663	4%	(Note 1)	-	Financing use	-	—	-	-	364,776	364,776	—

Note 1: Nature of loans to others is filled for short-term financing.

Note 2: In accordance with the provisions of the operating procedures for loaning to others, the calculation of the capital loan limit of individual objects and the total limit of capital loan is as follows:

1. Loan total limit: 40% of the net worth in the most recent financial report, but only if financing is necessary, 30% of the net worth in the most recent financial report.

2. Limit for a single company

(1) Trading partner: each company does not exceed the amount of business transactions.

(2) Short-term financing: each company does not exceed 30% net worth of its most recent financial report.

(3) Capital loans to foreign companies of the Republic of China that directly or indirectly hold 100% of the voting shares by the same parent company shall not exceed 80% of the net worth of the company's most recent financial report.

(4) In the case of (1) and (2) above, the limit shall be calculated in combination, but shall not exceed the total limit of loans.

Note 3: The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68; CNY:USD 1:0.1569).

Tainan Enterprises Co., Ltd.

Holding of marketable securities at the end of the period (excluding subsidiaries, associates and joint ventures)

December 31, 2021

Table 2

Expressed in thousands of NTD

Investor	Type and name of securities	Relationship with the securities issuer	General ledger account (Note 1)	Ending balance					Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value		
Tainan Enterprises Co., Ltd.	Bonds:								
	DEUTSCHE BANK AG 3.6615% DUE 10 APR 2025, etc.	—	2	-	\$ 30,230	-	\$ 30,230	—	
	Stocks:								
	EUROC VENTURE CAPITAL CORP.	—	3	2	129	0.25%	129	—	
	SPLENDOR ACTIVEWEAR CO., LTD.	—	3	10	-	17.86%	-	—	
	KOCHE DEVELOPMENT CO., LTD.	Substantive related parties	3	4,888	60,939	13.58%	61,293	—	
	KOCHE GLOBAL CO., LTD.	Substantive related parties	3	4,270	25,886	10.42%	31,472	—	
Tainan Enterprise (BVI) Co., Limited	DELTAMAC (TAIWAN) CO., LTD.	—	4	40	639	0.11%	639	—	
	Bonds:								
	SBERBANK 5.125% DUE 29 OCT 2022	—	1	-	39,730	-	39,730	—	
	BANCO DO BRASIL SA 4.625% DUE 15 JAN 2025, etc.	—	2	-	322,133	-	322,133	—	
	Stocks:								
	NETSOL TECH-NOLOGIES INC.	—	3	44	-	0.27%	-	—	

Note 1: There are four types of account items as follows:

1. Financial assets at amortized cost - current
2. Financial assets at amortized cost - non-current
3. Financial assets at fair value through profit or loss - non-current
4. Financial assets at fair value through other comprehensive income - non-current

Note 2: The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68; CNY:USD 1:0.1569).

Tainan Enterprises Co., Ltd.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

							Differences in transaction terms compared to third party				
Transaction							transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Tainan Enterprises Co., Ltd.	P.T.Tainan Enterprises Indonesia	Subsidiary	Purchases	\$ 1,249,510	36%	(Note 1)	\$ -	—	(\$ 118,159)	(32%)	—
P.T.Tainan Enterprises Indonesia	Tainan Enterprises Co., Ltd.	The Company	(Sales)	( 1,249,510)	(100%)	(Note 1)	-	—	118,159	99%	—

Note 1: Receipt and payment terms for purchases and sales to related parties is closes its accounts in 4 months.

Note 2: The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68).

Tainan Enterprises Co., Ltd.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

December 31, 2021

Table 4

Expressed in thousands of NTD

Company Name	Counterparty	Relationship	Receivable from relatal party		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Items	Amount		Amount	Action taken		
Tainan Enterprises Co., Ltd.	Tainan Enterprises (Vietnam) Co., Ltd.	Subsidiary	Other receivables	\$ 116,256	—	\$ -	—	\$ 41,520	\$ -
P.T.Tainan Enterprises Indonesia	Tainan Enterprises Co., Ltd.	The Company	Accounts receivable	118,159	8.01	-	—	118,159	-
Tainan Enterprise (BVI) Co., Limited	PT. ANDALAN MANDIRI BUSANA	Subsidiary	Other receivables	119,024	—	-	—	-	-
Tainan Enterprise (BVI) Co., Limited	Tainan Enterprises (Vietnam) Co., Ltd.	Subsidiary	Other receivables	110,720	—	-	—	-	-

Note : The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68; CNY:USD 1:0.1569).

Tainan Enterprises Co., Ltd.  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			
				General ledger account	Amount	Terms	Percentage of total operating revenues or total assets (Note 3)
0	Tainan Enterprises Co., Ltd.	P.T.Tainan Enterprises Indonesia	1	Purchases	\$ 1,249,510	Closes its accounts 4 months after the end of each transaction	22%
			1	Accounts payable	118,159	—	2%
			1	Services revenue	60,367	—	1%
		PT. ANDALAN MANDIRI BUSANA	1	External processing cost	381,858	—	7%
			1	Services revenue	41,518	—	1%
			1	Other payables	89,142	—	2%
		TAI NAN ENTERPRISES (CAMBODIA) CO., LTD.	1	External processing cost	736,978	—	13%
			1	Services revenue	65,880	—	1%
			1	Prepayments	48,458	—	1%
		Tainan Enterprises (Vietnam) Co., Ltd.	1	External processing cost	260,937	—	5%
			1	Services revenue	25,118	—	—
			1	Other receivables	116,256	—	2%
			1	Other payables	48,349	—	1%
		Yixing Gaoqing Garments Co., Ltd.	1	External processing cost	307,779	—	5%
			1	Services revenue	25,609	—	—
			1	Other payables	88,743	—	2%
		Gin-Sovann Fashion (Cambodia) Limited.	1	External processing cost	201,367	—	3%
			1	Services revenue	18,783	—	—
			1	Prepayments	44,056	—	1%
1	Tainan Enterprises (BVI) Co., Limited	TAI NAN ENTERPRISES (CAMBODIA) CO., LTD.	3	Other receivables	41,520	—	1%
		PT. ANDALAN MANDIRI BUSANA	3	Other receivables	119,024	—	2%
2	Beyoung Fashion Co., Ltd.	Tainan Enterprises (Vietnam) Co., Ltd.	3	Other receivables	110,720	—	2%
		Gin-Sovann Fashion (Cambodia) Limited.	3	External processing cost	137,430	—	2%
			3	Prepayments	22,767	—	—

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) The company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) The company to subsidiary.
- (2) Subsidiary to the company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Significant inter-company transactions during the reporting periods are not disclosed since these were corresponding transactions.

Note 5: The disclosure standard for important transactions is more than NT\$10 million.

Note 6: The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68; CNY:USD 1:0.1569).

Tainan Enterprises Co., Ltd.

Names, locations and other information of investee companies ( excluding investees in Mainland China)

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business	Original investment amount		Shares held as at December 31, 2021			Net income (loss) of the investee	Investment income (loss) recognized by the Company		Note
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value				
Tainan Enterprises Co., Ltd.	Tainan Enterprise (BVI) Co., Limited	British Virgin Islands	Professional investments	\$ 517,058	\$ 517,058	\$ 170,000	100.00	\$ 1,218,510	(\$ 42,633)	(\$ 44,322)		Subsidiary
	P.T.Tainan Enterprises Indonesia	Indonesia	Garment processing, production and selling	64,446	64,446	2,400,000	100.00	288,219	( 20,777)	( 20,777)		Subsidiary
	PT. ANDALAN MANDIRI BUSANA	Indonesia	Garment processing, production and selling	182,024	182,024	6,000	100.00	116,140	1,105	1,105		Subsidiary
	TAI NAN ENTERPRISE (CAMBODIA) CO., LTD	Cambodia	Garment processing, production and selling	29,585	29,585	1,000	100.00	24,210	( 96,906)	( 96,944)		Subsidiary
	Tainan Enterprises (Vietnam) Co., Ltd.	Vietnam	Garment processing, production and selling	319,090	319,090	-	100.00	117,360	( 15,442)	( 15,442)		Subsidiary
	Fortune International Co., Ltd.	Taiwan	Garment and cloth selling and trading service	-	3,000	-	-	-	( 2)	( 2)		Subsidiary (Note 1)
	Beyoung Fashion Co., Ltd.	Taiwan	Garment processing, production and selling	141,742	141,742	5,050,000	100.00	20,330	850	850		Subsidiary
	New Premium Enterprise Co., Ltd.	Samoa	Professional investments	123,525	157,137	5,000,000	50.00	9,395	( 5,147)	( 2,573)		Joint venture (Note 2)
Tainan Enterprise (BVI) Co., Limited	T&G FASHION CO., LTD.	Seychelles	Professional investments	108,500	108,500	3,300,000	100.00	9,997	( 18,798)	-		Subsidiary (Note 3)
T&G FASHION CO., LTD.	Tainan Enterprise (Cayman) Co., Limited	Cayman Islands	Professional investments	194,623	194,623	4,336,515	13.39	61,840	104,735	-		(Note 3)
	Gin-Sovann Fashion (Cambodia) Limited.	Cambodia	Garment processing, production and selling	27,680	27,680	-	100.00	( 20,602)	( 18,362)	-		Subsidiary (Note 3)
	CAMITEX (CAMBODIA) MFG CO LTD.	Cambodia	Garment processing, production and selling	16,971	16,971	100	100.00	( 738)	-	-		Subsidiary (Note 3) (Note 4)
	Golden Harbor Garment (Cambodia) Limited.	Cambodia	Garment processing, production and selling	-	-	-	100.00	( 118)	-	-		Subsidiary (Note 3) (Note 4)

Note 1: The liquidation had been completed in the second quarter of 2021.

Note 2: The investee returned proceeds from shares in advance as the Board of Directors resolved to shut down its subsidiary in the second quarter of 2021. The amount will be settled after the subsidiary is liquidated and dissolved.

Note 3: According to regulations, the amount of investment (loss) recognized in the current period may be exempted from disclosure.

Note 4: The subsidiary has ceased business and was pending for liquidation process.

Note 5: The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68; CNY:USD 1:0.1569).

Tainan Enterprises Co., Ltd.

Information on investments in Mainland China—Basic information

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the the year ended <u>December 31, 2021</u>		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company ( Note 2 )	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Yixing Gaoqing Garments Co., Ltd.	Garment processing, production and selling	\$ 124,560	( Note 1 )	\$ 83,040	\$ -	\$ -	\$ 83,040	(\$ 51,047)	100%	(\$ 51,047)	\$ 156,159	\$ -	(Note 3)
Zhoukou Tainan Garment Co., Ltd.	Garment processing, production and selling	138,400	( Note 1 )	-	-	-	-	-	100%	-	3,840	-	(Note 4) (Note 5)
<u>Company name</u>	<u>as of December 31, 2021</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>										
Tainan Enterprises Co., Ltd.	\$ 267,142	\$ 1,076,715	(Note 6)										

Note 1: Indirect investment in Mainland China through a company set up in a third region, Tainan Enterprises (BVI) Co., Limited.

Note 2: Investment gains or losses were recognized based on audited financial statements.

Note 3: Among them, \$41,520 (USD1,500 thousand dollars) was indirect investment in Mainland China through a company set up in a third region, Tainan Enterprises (BVI) Co., Limited.

Note 4: Indirect investment in Mainland China through a company set up in a third region, Tainan Enterprises (BVI) Co., Limited.

Note 5: The subsidiary has ceased business and was pending for liquidation process.

Note 6: Enterprises that have been approved by the Ministry of Economic Affairs to operate their headquarters are not subject to monetary or proportional limits.

Note 7: The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68; CNY:USD 1:0.1569).

Tainan Enterprises Co., Ltd.

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

For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing						
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021	Others (Note)		
Yixing Gaoqing Garments Co., Ltd.	\$	-	-	\$	-	-	\$	-		\$	-	-	\$	-	External process cost \$ 307,779 Service revenue \$ 25,609 Other payables \$ 88,743

Note: The numbers in the table that involves foreign currencies are expressed in New Taiwan dollars according to the exchange rate posted on the date of the financial statements (USD:NTD 1:27.68; CNY:USD 1:0.1569).

Tainan Enterprises Co., Ltd.

Major shareholders information

December 31, 2021

Table 9

Expressed in shares

Name of the key shareholder	Number of shares		Ownership (%)	Note
	Common stock	Preferred stock		
KOCHE GLOBAL CO., LTD.	12,660,000	—	8.60%	—
CMC Magnetics Co., Ltd.	12,261,000	—	8.33%	—
CHC International Investment Corporation	9,521,000	—	6.47%	—

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

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the difference in the calculation basis.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021

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

Item	Description	Amount
Cash:		
Cash on hand		\$ 250
Checking accounts – NTD		24,825
	– Foreign currency USD 47 thousands @ 27.68	1,290
	HKD 44 thousands @ 3.549	155
Demand deposits – NTD		22,864
	– Foreign currency USD 3,892 thousands @ 27.68	107,724
	CNY 427 thousands @ 4.344	1,853
	Other foreign currency	1,084
Time deposits	– Foreign currency Expiration by Jan. 17, 2022 ~ Jan. 29, 2022, interest rate at 2.60% ~ 2.76%, including CNY 12,000 thousands @ 4.344	52,128
		<u>\$ 212,173</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2021

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

<u>Client Name</u>	<u>Item</u>	<u>Amount</u>	<u>Note</u>
MGF SOURCING FAR EAST, Limited	Accounts receivable	\$ 374,417	—
MACY MERCHANDISING GROUP INC.	"	165,355	—
THE GAP INC.	"	101,103	—
ERALDA INDUSTRIES LTD. (Brand: EILEEN FISHER)	"	72,624	—
REITMANS (Canada) Limited	"	56,640	—
Others (less than 5%)	"	<u>332,058</u>	—
		1,102,197	
Less: Allowance for uncollectible accounts		( <u>4,310</u> )	
		<u>\$ 1,097,887</u>	

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF OTHER RECEIVABLES – RELATED PARTIES  
DECEMBER 31, 2021

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

<u>Client Name</u>	<u>Item</u>	<u>Amount</u>	<u>Note</u>
Receivables of loans to related parties	Tainan Enterprises (Vietnam) Co., Ltd.	\$ 116, 256	—
Other receivables	PT. ANDALAN MANDIRI BUSANA	1, 340	—
	P.T.Tainan Enterprises Indonesia	<u>128</u>	—
		<u>\$ 117, 724</u>	

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021

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

Item	Description	Amount			Note
		Cost	Net	Realisable Value	
Raw materials	—	\$ 365, 577	\$	365, 577	(Note)
Work in progress	—	379, 753		393, 478	"
		<u>\$ 745, 330</u>	<u>\$</u>	<u>759, 055</u>	

Note: Please refer to Note 4 (9) "Inventories" for determining net realizable value.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF PREPAYMENTS  
DECEMBER 31, 2021

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

Item	Description	Amount
Prepayments to suppliers	—	\$ 114, 313
Others (less than 5%)	—	6, 776
		\$ 121, 089

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Name of Financial Instrument	Beginning Balance		Addition		Decrease		Ending Balance		Accumulated impairment	Collateral	Note
	Shares (in thousands)	Carrying amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Carrying amount			
Stock:											
Euroc Venture Capital Corp.	15	\$ 259	-	\$ -	( 13)	(\$ 130)	2	\$ 129	\$ -	None	—
KOCHE DEVELOPMENT CO., LTD.	4,798	60,939	90	-	-	-	4,888	60,939	-	None	—
KOCHE GLOBAL CO., LTD.	4,212	<u>25,886</u>	58	<u>-</u>	-	<u>-</u>	4,270	<u>25,886</u>	<u>-</u>	None	—
		<u>\$ 87,084</u>		<u>\$ -</u>		<u>(\$ 130)</u>		<u>\$ 86,954</u>	<u>\$ -</u>		

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Name	Beginning Balance		Addition		Decrease		Ending Balance		Accumulated Impairment	Collateral	Note
	Shares (in thousands)	Carrying Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Carrying Amount			
DEUTSCHE BANK AG 3.6615% DUE 10 APR 2025 etc. bonds	-	<u>\$30,421</u>	-	<u>\$ -</u>	-	<u>(\$ 191)</u>	-	<u>\$30,230</u>	<u>\$ -</u>	None	—

**TAINAN ENTERPRISES CO., LTD.**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of	Amount	Unit Price	Total Amount	Collateral	Note
	(in thousands)		(in thousands)		(in thousands)		(in thousands)	Ownership					
Tainan Enterprise (BVI) Co., Limited	170	\$1,292,756	-	\$ 384	-	(\$ 74,630)	170	100.00%	\$1,218,510	\$7,152	\$1,215,920	None	—
P.T.Tainan Enterprises Indonesia	2,400	334,559	-	-	-	( 46,340)	2,400	100.00%	288,219	120	288,219	"	—
Tainan Enterprises (Vietnam) Co., Ltd.	-	136,452	-	-	-	( 19,092)	-	100.00%	117,360	-	117,360	"	—
PT. ANDALAN MANDIRI BUSANA	6	117,910	-	1,561	-	( 3,331)	6	100.00%	116,140	19,357	116,140	"	—
TAI NAN ENTERPRISES (CAMBODIA) CO., LTD.	1	123,477	-	-	-	( 99,267)	1	100.00%	24,210	24,100	24,100	"	—
Beyoung Fashion Co., Ltd.	5,050	33,378	-	850	-	-	5,050	100.00%	34,228	4	20,330	"	—
New Premium Enterprise Co., Ltd.	5,000	96,429	-	-	-	( 37,064)	5,000	50.00%	59,365	2	9,395	"	—
Fortune International Co., Ltd.	300	2,950	-	-	( 300)	( 2,950)	-	—	-	-	-	"	(Note)
	<u>12,927</u>	<u>2,137,911</u>	<u>-</u>	<u>\$ 2,795</u>	<u>( 300)</u>	<u>(\$282,674)</u>	<u>12,627</u>		<u>1,858,032</u>		<u>\$1,791,464</u>		
Less: Accumulated impairment		( 63,868)							( 63,868)				
		<u>\$2,074,043</u>							<u>\$1,794,164</u>				

(Note) The liquidation had been completed on May 19, 2021.

TAINAN ENTERPRISES 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, except as otherwise indicated)

Please refer to Note 6(8) for the information related to property, plant and equipment.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED  
DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6(8) for the information related to property, plant and equipment. The depreciation methods and the estimated useful lives of property, plant and equipment, please refer to Note 4(15) for the details of property, plant and equipment.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6(10) for the information related to investment property, net.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - ACCUMULATED DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6(10) for the information related to investment property, net. The depreciation methods and the estimated useful lives of investment property, please refer to Note 4(16) for the details of investment property.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF CHANGES IN DEFERRED INCOME TAX ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6(26) for the information related to income tax.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2021

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

<u>Type of loan</u>	<u>Descriptions</u>	<u>Ending Balance</u>	<u>Period of Contract</u>	<u>Range of Interest Rate</u>	<u>Credit Facility</u>	<u>Collateral</u>
Unsecured borrowings	Taipei Fubon Commercial Bank	\$ 212, 240	2021.09.08~2022.04.01	0.81%~0.83%	USD 23,500 in thousands	None
	HSBC Bank (Taiwan)	180, 720	2021.11.26~2022.03.29	0.78%~0.80%	USD 10,000 in thousands	"
	Taiwan Business Bank	138, 400	2021.12.20~2022.02.28	0.80%	\$ 150,000	"
	First Commercial Bank	129, 122	2021.11.08~2022.06.27	0.73%~0.80%	\$ 300,000	"
	The Shanghai Commercial & Savings Bank	124, 560	2021.11.02~2022.01.31	0.70%	\$ 300,000	"
	Mega International Commercial Bank	39, 986	2021.12.01~2022.06.01	0.77%~0.90%	USD 5,000 in thousands	"
	ChinaTrust Commercial Bank	9, 679	2021.11.22~2022.05.20	0.43%	\$ 360,000	"
		<u>\$ 834, 707</u>				

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Guarantor or Accepting Institution	Period of Contract	Range of Interest Rate	Issurance Amount (note)	Amount		Collateral
					Discounts of Short- term Transaction Instruments	Carrying Amount	
Commercial Paper	China Bills Finance Corporation	2021.11.05~2022.01.04	0.91%	\$ 100,000	(\$ 8)	\$ 99,992	None
"	The Shanghai Commercial & Savings Bank	2021.12.16~2022.01.07	0.92%	50,000	( 20)	49,980	"
				<u>\$ 150,000</u>	<u>(\$ 28)</u>	<u>\$ 149,972</u>	

(Note) The issurance amount of The Shanghai Commercial & Savings Bank was from its' banking facility of \$300,000.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2021

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

<u>Suppliers Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
WING CHENG TEXTILE CO., LTD.	Accounts payable	\$ 10,665	—
Others (less than 5%)	"	232,741	—
		<u>\$ 243,406</u>	

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF ACCOUNTS PAYABLE – RELATED PARTIES  
DECEMBER 31, 2021

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

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
P.T.Tainan Enterprises Indonesia	Accounts payable	<u>\$ 118,159</u>	—

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2021

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

Item	Description	Amount
Wages and salaries payable	—	\$ 65,766
Labor and health insurance premiums payable	—	5,772
Others (less than 5%)	—	40,351
		<u>\$ 111,889</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF OTHER PAYABLES– RELATED PARTIES  
DECEMBER 31, 2021

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Processing fee payable	PT. ANDALAN MANDIRI BUSANA	\$ 89, 142
	Yixing Gaoqing Garments Co., Ltd.	88, 743
	Tainan Enterprises (Vietnam) Co., Ltd.	48, 349
		<u>\$ 226, 234</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF CHANGES IN DEFERRED INCOME TAX LIABILITIES  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6(26) for the information related to income tax.

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Quantity	Amount	
		Subtotal	Total
Sales revenue:			
Garments	18,890 (in thousands) pcs	\$ 5,364,868	
Others		<u>4,187</u>	\$ 5,369,055
Less: Sales discounts and allowances			( <u>6,863</u> )
			5,362,192
Service revenue			<u>237,278</u>
Operating revenue, net			<u>\$ 5,599,470</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Amount
Merchandise at January 1, 2021	\$           –
Add: Merchandise purchased	1, 256, 976
Merchandise at December 31, 2021	<u>                 –</u>
Merchandise sold during this period	<u>1, 256, 976</u>
Raw materials at January 1, 2021	111, 855
Add: Raw materials purchased	2, 196, 510
Less: Transferred to expenses	(           8, 186)
Raw materials at December 31, 2021	( <u>         365, 577</u> )
Raw materials used during this period	1, 934, 602
Direct labor	16, 829
Manufacturing overhead	<u>1, 948, 097</u>
Manufacturing cost	3, 899, 528
Work in progress at January 1, 2021	329, 640
Work in progress at December 31, 2021	( <u>         379, 753</u> )
Cost of finished goods	<u>3, 849, 415</u>
Cost of production and marketing	<u>3, 849, 415</u>
Cost of inventory sold	5, 106, 391
Income from sale of scrap	( <u>         6, 031</u> )
Operating costs	<u>\$   5, 100, 360</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

<u>Item</u>	<u>Amount</u>
Processing fee	\$ 1, 910, 486
Other expenses (less than 2%)	<u>37, 611</u>
	<u>\$ 1, 948, 097</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Amount
Wages and salaries	\$ 68,778
Freight	50,029
Export expenses	29,137
Commission expenses	22,263
Others (less than 5%)	13,766
	<u>\$ 183,973</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 126,542
Service fees	12,197
Insurance expenses	11,951
Others (less than 5%)	<u>55,634</u>
	<u>\$ 206,324</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Amount
Wages and salaries	\$ 52,035
Insurance expenses	5,927
Others (less than 5%)	12,710
	<u>\$ 70,672</u>

TAINAN ENTERPRISES CO., LTD.  
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND  
AMORTIZATION EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6(24) for the details of expenses by nature, and Note 6(25) for the details of employee benefit expense.