

Stock code:1434

# Formosa Taffeta Co., Ltd.

## 2022 Annual Report

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

Compiled by Formosa Taffeta Co., Ltd.

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*Inquiry about the Annual Report*

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# **I.Report to shareholders**

## **A. 2022 Business Performance**

The Company's consolidated revenue grew by 5.86%, from NT\$32,799.01 million in 2021 to NT\$34,722.66 million in 2022, an increase of NT\$ 1,923.65 million, with consolidated pretax profit increasing by 55.24%, from NT\$ 2,387.36 million to NT\$3,706.21 million, an increase of NT\$ 1,318.85 million.

In 2022, with the pandemic alleviating, countries around the world lifted their anti-pandemic restrictive measures successively, leading to gradual recovery of international travel and outdoor activities, which, plus resumption of international sports events, spurred demands for outdoor leisure products. Still, order placement was dampened by a number of factors, including Russia-Ukraine war boosting global energy, natural gas, and raw material costs, high inflation and interest rate hike curbing demands in major consumption markets in the U.S. and Europe, China's zero-COVID policy battering retail sales, and high inventory of major international brands.

In the face of the challenges in 2022, the Company set sights on outdoor functional and composite products for the post-pandemic market, invested heavily in R&D on high-value niche products, developed high-value environment-friendly products made of regenerated materials via introduction of high-specifications technology, and consolidated supply-chain partnership and strategic collaboration with branded customers resulting in a harmonious win-win outcome, thereby managing to attain sales growth.

## **B. 2023 The company's business plan summary, company development strategy in future, Influenced by the external competition environment, regulatory environment and overall business environment.**

### **(A) Filament woven and dyed fabrics:**

There are four end markets for the Company's filament woven fabrics: outdoor performance wear, sportswear, casual wear, and umbrella. In 2022, with various countries around the world successively lifting anti-pandemic restrictive measures following extensive vaccination, outdoor activities and international travel gradually recovered, boosting demand for sportswear, while resumption of major international sports events also induced growth of the textile and apparel industry. Still, order placement was hampered by a number of factors, including Russia-Ukraine war boosting global energy and raw material costs, high inflation in major consumption markets in the U.S. and Europe, China's zero-COVID policy battering retail sales, and high inventory of major international brands. However, the Company managed to score growth in revenue and profits in 2022, through the development of differentiated niche products, and price adjustment in reflection of higher raw-material and freight costs.

In 2023, along with lifting of border control worldwide, in-person visits to customers has been gradually resumed, alongside digital marketing, integrated R&D, and branded operating platform, enhancing market competitiveness significantly. In addition, the company consolidated strategic partnership with major international brands; intensified tapping the

three major end markets of sportswear, outdoor functional wear, and fashion/casual clothes, while developing biotech and environment-friendly functional niche product and accelerating product innovation, thereby consolidating its leading status on the market for woven functional fabric.

(B) Tire cord fabric

In 2022, tire makers and dealers slash their order placement in the first half, fearing effect of shipment jam at harbors. Sales of tire cord fabric remained in the doldrums in the second half, due to high inventory caused by weak consumption demands, due to reduced output of automakers resulting from automotive-chip shortage, China's stringent anti-pandemic measures, and global inflation.

In 2023, inventory reduction will still be the priority task on the global tire cord fabric market in the first half, while demand is expected to recover gradually, due to stabilization in automotive-chip supply, alleviation of shipment congestion, and lifting of anti-pandemic restrictions worldwide. The tire cord fabric division will strive to boost sales by consolidating orders from existing customers, continuing development of products with high added value, and pushing environment-friendly PU6 tire cord fabric with ocean-recovered raw material in collaboration with major international bicycle makers, scheduled for mass production from Q2, to boost market share and profits.

(C) Gas station

As of the end of 2022, Formosa Petroleum Station had had 106 gas stations, making it the fifth largest gas-station brand in Taiwan, thanks to its effort in services, marketing, and management over the past years. Formosa Petroleum Station still managed to remain profitable in the year, despite worse-than-expectation sales, due to international oil price hike on Russia-Ukraine war, the effect of pandemic dampening, reducing the outdoor activities among Taiwanese people, and inflation and high international oil prices.

In 2023, Formosa Petroleum Station will continue evaluating of each gas station's performance. In addition, given fluctuation in international oil prices, the Company will intensify control of oil-tank storage level flexibly. Effort will be intensified to increase the number of contracted customers with monthly settlement of bills, including enterprises and owners of agricultural or engineering machines to enhance margin. The number of gas stations with self-service, numbering 94 now, will be increased further, according to performance. Moreover, it will introduce plural payment methods, push sales of leisure and travel products and auto accessories via B2C channel and social media, and offer various training courses, such as SOP, 5S, and TPM, to station workers, in order to attain public safety, quality service, and standardized management, thereby creating a convenient and safe oil-filling and consumption environment for customers.

(D) Functional yarn

In 2022, faced with raw-material price swing, due to a number of adverse factors, and shrinking consumption, the Company adjusted product mix flexibly and renovate equipment, to boost



product quality and cut production cost, thereby coping with rapid market changes, which, plus successful inroads into the market of industrial protective yarn, enables sales and profits to grow 26.9% and 45.6%, respectively.

In 2023, the Company will consolidate its presence in the specific composite functional market for industrial yarn and branded sportswear, further renovation production equipment and replace outdated machines, increase first-time success rate, and optimize product mix to further boost sales and profit growth.

#### (E) Special textiles

In 2022, while domestic sales of industrial fabric slackened, due to decrease of bids for public projects, orders for hi-tech factory fabric, anti-epidemic sterile- and isolation-gown fabric, and anti-static fabric increased, which, plus export orders for newly developed Aramid blended fabric made of fire-proof fiber, enabled both sales and profit growth.

In 2023, with alleviation of the pandemic and weakening demands for consumer electronic products, demands for anti-static fabric and fabric used for factory construction in technology industry are expected to drop. Except development of new products for various markets, the special-textile plant will actively develop flame retardant fabric with various proportions of materials, tap markets for low- and medium-price products, in line with various customer needs and market trend, and introduce new processing technologies for elastic, comfortable, environment-friendly fluorine-free, water-repellant fabrics, in order to attain the 2023 sales target.

#### (F) Carbon-fiber composite material

In 2022, thanks to the alleviation of the pandemic worldwide, sales of carbon-fiber composite materials were stable, as demands, both in Taiwan or abroad, were robust from such sectors as fitness equipment, bicycles, mining vehicles, yachts and ships, drones, and reinforcement construction structural materials, plus development of fast-forming prepreg fabric and new resin via collaboration with local dealers and bicycle manufacturers, respectively. As a result, sales grew by 8.2% compared to 2021.

In 2023, in line with customer demands for tapping the mainland Chinese and Southeast Asian markets, the Company will continue developing special fabric and engage in prepreg-fabric testing, collaboration with major customers, consolidate orders for multi-axis fabric for yacht builders, both in Taiwan and abroad, and increase product applications to meet the various demands of dealers, so as to sustain sales growth.

#### (G) Plastic bag

In 2022, increased orders for vest bags from Japan, due to the closure of a plastic bag manufacturer in China, boosting share of the market in the company's sales to 85.5% and enabling the Company to rack up 8.3% sales and 282% profit growth.

In 2023, in addition to the focus on the high-margin Japanese market, the Company will notice change in material costs and exchange rate and boost shipment to the American market, in order

to sustain profits.

In 2023, given multiple uncertain factors, the Company will further strengthen the global supply chain and assure smooth production and delivery via proper capacity adjustment among the five factories in Taiwan, China, and Vietnam; push equipment renovation and process optimization, to enhance first-time success rate in production and reduce energy consumption and emissions; increase usage of recycled raw materials, introduce new processing technology, and develop environment-friendly products with high added value; and intensify collaboration with Schoeller Textil AG, in line with the strategy of " R&D in Europe and production in Asia," thereby augmenting operational synergy.

In line with the global ESG current, the Company continues to establish a complete system in environment, social, and corporate governance, as well as a task force to push various related programs. To deal with the climate-change issue, the Company has been the TCFD supporter and engaged in SBTi (Science-Based Targets Initiative) actively, to materialize low-carbon economic transformation and endorse environment-protection advocacy, which has become a universal value. The Company was granted various honors in 2022 in acknowledging its effort, including continuing inclusion in FTSE4Good TIP Taiwan ESG Index and FTSE4Good Emerging Index, and rated as leadership in CDP climate change and water security.

In 2023, faced with multiple challenges, the Company will strive to attain performance targets, co-prosperity with supply-chain partners, and win-win outcome with customers, creating expanded investment returns for shareholders and materializing the corporate vision.

## II. Company profile

### A. Incorporation date

April 19, 1973

### B. Company history

Founded by Formosa Chemicals & Fibre Corp. and a few of business figures from Changhua County, Taiwan, the Company was incorporated on April 19, 1973, initially named "Formosa Fiber Co., Ltd.," for engagement in the weaving, dyeing, finishing, and printing of polyamide and polyester filament woven taffeta fabric. Renamed as Formosa Taffeta Co., Ltd. in Jan. 1979, the company was listed in Dec., 1985 on Taiwan Stock Exchange, which has been enlarged in subsequent years, via several capital increments with earnings to fund business diversification. The company's registered capital reached NT\$16,846,646,370 since August, 2006. Major products cover filament polyamide/polyester dyeing-and-finishing fabric, fabrics for down-proof jacket, water-proof with vapor permeable fabric, composite organic fabric, multi-function smart temperature-control fabric, umbrella fabric, staple woven/ knitted yarn, tire cord, PE. bag, bullet/stab-proof fabric, flame-retardant fabric for military/police/firefighters, medical/ protective fabric, anti-static barrier for clean room garment/ anti-bacterial fabric, conductive fabric, carbon-fiber fabric and composite materials, and gas stations. Formosa Taffeta Co., Ltd. has become a world-class manufacturer, in terms of both production scale and quality, of polyamide and polyester filament woven fabric, notably in the fields of sportswear and outdoor functional clothes, progressing in sync with fashion and ESG current and the development of major international textile brands.

- 1972 Founders Wang, Yung-Chin; Wang Yung-tsai; Lai, Shu-Wang and Hsieh Shih-ming formed a preparatory office for the establishment of factories producing chemical polyamide filament and polyester weaving fabric, dyeing and finishing, and printing.
- 1973 Approved by the Ministry of Economic Affairs, Formosa Fiber Co., Ltd. came into being, with Lai, Shu-wang as chairman of the Board and Hsieh Shih-ming as president. Recruitment started in August, and the company sent the staff to Formosa Chemicals & Fibre Corp. and weaving machine company in Japan for internship. Ground was broken in Nov. for the construction of factories.
- 1974 Test run of factories in Sept.
- 1975 Official inauguration in Jan.
- 1977 Expansion of printing plant, for the production of flat and rotary printing fabric umbrella cloth.
- 1978 Expansion of 1<sup>st</sup> weaving fabric plant with addition of warping machine, sizing frame, beaming machine and weaving machine, making it an plant with integrated weaving operation.
- 1979 Approval for name change to Formosa Taffeta Co., Ltd. in Jan.; expansion of weaving fabric plant and 2nd dyeing and finishing plant, and establishment of umbrella ribs plant, doubling the output of taffeta fabric and diversifying operation with the addition of umbrella ribs plant.
- 1980 Construction of tire-cord plant with monthly capacity of 600 tons, leading to further diversification of the company's operation.
- 1981 Construction of new tire-cord plant, boosting total capacity to 14,400 ton/year, and

- expansion of the machinery equipment of umbrella ribs plant.
- 1982 Installation of automated equipment and capacity at dyeing and printing plant.
- 1983 Setup of 2nd weaving fabric plant, with annual capacity of 60 million yards of grey cloth for dressing materials.
- 1984 Setup of 3rd dyeing plant and PE bag Plastics Processing Plant.
- 1985 Setup of function-oriented units, for the first time ever, including 1st production division (for long-fiber fabric), business division, and 2nd production division (tire cord, umbrella ribs, and PE bag); expansion of the president's office, in charge of regular management works, instead of merely auditing and statistics works in the past; installation of first Oil and electricity cogeneration motors; share listing in Taiwan on Dec. 24, with IPO price set at NT\$19.5 per share, transforming the company into a public company, a milestone in the development of the company.
- 1986 Setup of financial division in July, investment in the construction short-fiber cotton spinning plant, cotton weaving plant, cotton dyeing plant featuring integrated operation, greatly boosting the scale of diversification via the blending of long- and short-fiber fabrics; expansion of printing equipment at 2nd dyeing plant of 1st production division and the equipment of 2nd weaving plant.
- 1987 Organizational reshuffle in May with setup of 1st, 2nd, and third business divisions, in place of original function-oriented production divisions and business division, pushing of profit-center system for business divisions, which are responsible for both production and marketing performance; installation of special processing machinery equipment and construction of warehouses for finished products.
- 1988 Construction of second set of waste treatment equipment and expansion of the machinery equipment of tire cord plant; registration of "Abletex" trademark for water-proof/moisture-vapor fabric, initiating multi-brand marketing.
- 1989 Setup of second set of oil and electricity cogeneration motors and PVA resin for weaving recycling system at cotton dyeing plant. Reshuffle of Hong Kong subsidiary in September, renamed as Formosa Taffeta (H.K.) Co., Ltd. in April, with paid-in capital of HK\$7 million, as the company's first overseas sales overseas office, mainly for reception of transshipment orders, taking over agency business in Hong Kong and Macao gradually, plus preparation for setup of factories in mainland China.
- 1990 Setup of first Automatic Storage System for gray and construction of an eight-story dormitory. Investment in the founding of Formosa Advanced Technologies Co., Ltd. with paid-in capital of NT\$200 million, in Hsinchu Science Park in Sept. for the production of cathode power supply components and molybdenum sheets, and investment in the founding of Formosa Development Co., Ltd. with paid-in capital of NT\$100 million, in Douliu City of Yunlin County for engagement in land rezoning and development.
- 1991 Installation of special fabric equipment, expansion of umbrella ribs plant equipment, and setup of fifth dyeing plant; setup of Xiamen representative's office by Hong Kong subsidiary, the company's first business establishment in mainland China, servicing Taiwanese umbrella firms in Fujian; actively assisting Formosa Plastics Group to obtain land dubbed the the nation's sixth naphtha cracking complex in the area of Mailiao township Yunlin county, including shallow-sea culture area.
- 1992 Acquisition of near 5% stake in Formosa Petrochemical Corp., following the latter's founding in April. Formation of committee for expansion of the 2nd plant premises in

Neilinduan of Yinlin County, expansion of the capacity of 2nd tire-cord plant premises by 1,300 tons/month, and setup of PVA resin for weaving recycling system at 2nd weaving fabric plant. In Oct. Founding of " F.T.C. INTERNATIONAL s.r.l " in COMO, Italy with paid-in capital of 1 billion liras, for engagement in cloth trading in Europe. In Dec., investment in the founding of three subsidiaries in Shenwan township, Zhongshan City of Guangdong Province in China. for production of tire cord (Syn-Formosa Textile Industrial Co.,Ltd.), chemical-fiber fabric (Syn-Formosa Textile (Zhong Shan) Co.,Ltd.), and umbrella ribs (Syn-Formosa Indusrtila (Zhong Shan) Co.,Ltd.), with initial total investment reaching US\$28.4 million, US\$28.4 million, and US\$3 million, respectively, and the registered capitals are US\$11.2 million, US\$11.2 million, and US\$2.1 million, respectively.

- 1993 Setup of Formosa (Xiamen) Drawing Co., Ltd. for engagement in drawing of patterns, including patterns for umbrella cloth and PE bag, as well as fabric trading.
- 1994 Change of umbrella ribs plant to steel coil processing plant; change of the registered investor of the three subsidiaries in Zhongshan City to Hong Kong subsidiary and increase of paid-in capital of one Formosa industrial(Zhongshan)Co.,Ltd. to US\$1.47 million to fund construction of plant, which started test run in Dec; founding of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., with registered capital of US\$500,000, in Aug.; signing of ISO assistance plan with China Productivity Center for pushing ISO certification.
- 1995 Setup of textile industrial development center in Feb., putting under its auspices R&D staffers at various plants and departments, to intensify development of new fabrics and support business staffers in sales campaign. Acquisition of near 15% stake in Nanya Technology Corp. following its founding in March, before gradual drop to less than 1% over the past years. 3rd dyeing plant, sixth dyeing plant, and tire-core plant passing ISO9002 certification. Renaming of three Chinese subsidiaries (Syn-Formosa Textile Industrial Co.,Ltd.→ Formosa Chemical Fiber (Zhong Shan)Co.,Ltd.) along with cash capital increment of total investment of US\$1.64 million, with registered capital reaching US\$1.43 million, unbuilt factory; (Syn-Formosa Textile (Zhong Shan) Co.,Ltd. → Formosa Textile (Zhong Shan)Co.,Ltd.), with cash capital increment of total investment of US\$9.1 million, with registered capital reaching US\$4.75 million to fund plant construction, (Syn-Formosa Industrial (Zhong Shan) Co.,Ltd.→ Formosa Industrial (Zhong Shan)Co.,Ltd.) with two cash capital increments and registered capital totaling US\$2.25 million in scale, for mass production of umbrella ribs.
- 1996 Installation of 903 water-jet looms and other related new equipment at third section of 1st weaving fabric plant in Neilinduan; Moving of Formosa Advanced Technologies Co., Ltd. to Douliu City, along with its transformation into a plant with integrated operation, thanks to the installation IC assembly line, as well as capital reduction before capital increment to NT\$1 billion; mass production of silk cloth and umbrella cloth at the dyeing and finishing plant of Formosa Textile (Zhongshan) Co., Ltd.; mass production of umbrella ribs at Formosa Industrial (Zhongshan) Co., Ltd., with annual capacity reaching 7,200 tons.
- 1997 Installation of second automated storage system for gray and new dyeing machines, increasing capacities by 52.32 million yards/year. Acquisition of Formosa (Xiamen) Drawing Co., Ltd. by Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.

before write-off, with registered capital reaching US\$570,000.

- 1998 Following passing away of Lai Shu-wang, then chairman and a founder, at 90 in Feb., the board of directors elected Wong Wen-yuan to be the new chairman; completion of expansion project with 58.8 million yards/year in scale for processing plant; formation of petroleum business segment preparatory office; full-scale mass production of Polyamine fabric and polyester fabric by Formosa Textile (Zhong shan) Co., Ltd., furnished with 600 looms, featuring integrated operation for weaving, dyeing, and printing, and install two sets of generators; transfer of remaining equipment at steel coil processing plant to Formosa Industry (Zhong shan) Co., Ltd., boosting the latter's capacity to 14,400 tons/year. still retains part of its sales and service business for 3 years in Taiwan.
- 1999 Acquisition of Ruiyuan Vietnam Co., Ltd., a trouser fabric manufacturer, in Feb. before its transformation to Formosa Taffeta Vietnam Co., Ltd. in Long-An Province of Vietnam in June, with registered capital of US\$25 million, for engagement in the production of trouser fabric and dyed chemical-fiber fabric; formation of petroleum business division and setup of gas stations in Changyi Kuaikuan, and Chihsiang, marking foray into B2C retail business for the first time.
- 2000 Renaming of Formosa Textile (Zhongshan) Co., Ltd. to Formosa Taffeta (Zhong shan) Co., Ltd., in preparation for cross-line acquisition; passage of dividend payout policy by shareholders' meeting in June, calling for appropriation of at least 50% of earnings after deduction of legal provisions, compensations for directors and supervisors, and employee bonus for payout of dividends, half of which should be in the form of cash.
- 2001 Setup of Schoeller FTC (Hong Kong) Co., Ltd., as a 43:57 joint venture with Schoeller Textil AG of Switzerland, for engagement, Be the first one in Taiwan, in the production of electromagnetic shielding fabrics; Establishment of 21 new gas stations; cash capital of total investment of US\$ 30.3 million, with the registered capital of US\$12 million by Formosa Taffeta (Zhong shan) Co., Ltd., to fund installation of 605 looms and dyeing and finishing equipment at 2nd weaving fabric plant, which was recorded by the competent authority in July, 2002; cash capital increment of US\$14 million by Formosa Taffeta Vietnam Co., Ltd., to fund installation of 632 looms, along with warping machine, sizing machine, dyeing and finishing, water treatment equipment.
- 2002 Setup of 17 new gas stations, including that in Shetou; established a joint venture with Nan Ya Plastic Corp. and King Car Industrial Co., of Formosa Industries Corp., holding 10% stake; expansion in the development of plot of land and facilities for its plant in Nhon Trach industrial zone in Vietnam.
- 2003 To expand sources for orders for fabric from clothes brands, the company spent NT\$85 million to subscribe to 5 million new shares in the cash capital increment of Quang Viet Enterprise Co., Ltd., holding 24.49% stake; invitation for the company, the first among non-Japanese firms in Asia, to attend the Premiere Vision-Paris fair; installation of 14 new gas stations, including Nan Ya gas station; establishment of Shanghai representative's office by Formosa Taffeta (Zhong shan) Co., Ltd.; establishment of 12"-wafer assembly plant and module production line by Formosa Advanced Technologies Co., Ltd.
- 2004 Setup of oversea filament division in Feb., to oversee the operation of plant premises in China and Vietnam; installation 22 new gas stations, including Nankan gas station; investment in the establishment of Formosa Taffeta Dong Nai Co., Ltd., with registered

capital of US\$12 million, in Nhon Trach industrial zone 3 in Vietnam; installation of chafing-proof tire cord equipment, with annual capacity of 3,240 tons, at tire cord plant in Aug.; acquisition of Formosa Industrial (Zhong shan) Co., Ltd. and Formosa Chemical Fiber (Zhong shan) Co., Ltd. by Formosa Taffeta (Zhong shan) Co., Ltd. in Dec., whose total investment reached to US\$106.24 million, and the registered capital rose to US\$46.4 million subsequently.

- 2005 Funding for installation of 504 looms by Formosa Taffeta (Dong Nai) Co., Ltd. in Jan.; dismantling of 3rd business division in Feb., with its cotton weaving plant and cotton dyeing plant being taken over by 1st business division; capital increment by Formosa Taffeta (Hong Kong) Co., Ltd. in April before investment in the setup of Formosa Taffeta (Changshu) Co., Ltd., in China's Jiangsu Province, with registered capital of US\$18 million, for producing chemical-fiber dyeing-and-finishing fabric in may; setup of fifth production line at tire cord plant, with annual capacity of 13,200 tons; cash capital increment of US\$25 million by Vietnam subsidiary in Long An to fund installation of 320 looms, plus interlace warping machines and automated color-matching equipment; closure of F.T.C. international s.r.l.
- 2006 Cash capital increment of US\$10 million by Long An subsidiary, to fund installation of 120 looms, plus air compressors, boosting annual capacity of dyeing and finishing plant to 48 million yards and registered capital to US\$74 million; capital increment of US\$21 million by Formosa Development Co., Ltd., boosting its paid-in capital to US\$161 million; capital increment of US\$3 million by Dong Nai subsidiary, to fund installation of 125 looms; increase of the number of gas stations to 87.
- 2007 Reshuffle for the establishment of 3rd business division, overseeing spinning plant, special fabrics plant, and newly established carbon-fiber composite material plant; dismantling of oversea filament division, switch of subsidiaries in China and Vietnam to the jurisdiction of 1st business division of the parent company; dismantling of the Shanghai office of Zhong shan subsidiary in May; capital increment by Hong Kong subsidiary to fund setup of Formosa Taffeta Trading (Shanghai) Co., Ltd., with registered capital of US\$150,000, located at the same site of the former Shanghai office; eruption of the U.S. subprime mortgage crisis in the second half of July, triggering stock and futures market crash, promoting governments worldwide to cut interest rates to bolster market, boosting global oil price to over US\$100 per barrel, inducing price hike of grain and other raw materials, cutting gross margin of transportation and manufacturing industries, and leading to stagnation of major economies; with capital increment of total investment of US\$30 million, totaling to US\$136.24 million, whose fund was used to D&F Dept., with registered capital of US\$46.4 million by Zhong Shan Subsidiary; Formosa Advanced Technologies going public in Taiwan with paid-in capital increasing to NT\$4,422 million; revenue and profit in consolidated financial statement hitting record high for the fourth straight year.
- 2008 Incorporation of 3<sup>rd</sup> dyeing plant, fifth dyeing plant, and processing plant of 1st business division into 1st dyeing plant and 2nd dyeing plant in Jan.; QC Guarantee Group of president's office renamed as standard section in March; completion and gradual inauguration of third plant of Formosa Advanced Technologies in April, mass production of DDR3 with 70 nm process in August, and foray into mass production of LED gross dies, including grinding, cutting, spot check, and classification; capital increment of

US\$10 million by Dong Nai subsidiary, to fund setup of new dyeing and finishing plant, with annual capacity of 24 million yards, test run at the end of the year, leading integrated operation of weaving and dyeing; global oil price peaking at US\$147 per barrel before crash, triggering similar general price fluctuation, outbreak of Wall Street financial crisis in Sept., affecting manufacturing industries and dampening interest rates to near zero, which resulted in negative growth; passing away of founder Wang, Yung-Chin during a tour of the plant premises of Formosa Plastics Corp. USA in New Jersey, with various affiliates of Formosa Plastics Group retaining normal operation under established guidelines; TAIEX Index dropping below 4,000 and global oil price tumbling to the nadir of US\$40 per barrel; completion of the expansion of the capacity of fifth production line of tire cord plant by 13,200 tons/year in Dec., boosting total capacity to 56,400 tons; completion of upgrading of domestic ERP (enterprise resource planning) mainframe and management system at the end of the year.

- 2009 Execution of reorganization in Jan., including setup of 1st business group, overseeing weaving business division, dyeing and finishing business division, R&D center, and overseas weaving, dyeing and finishing plant premises; 2nd business group, overseeing tire cord business division, industrial materials business division (merger of original third business division and plastics processing plant), petroleum business division, and energy & civil construction division; setup of general management division, putting under its jurisdiction president's office, finance division, procurement department, administration department, and safety and hygiene office; slump of various global economic and trade indices to record low; capital increment of US\$9 million both by Hong Kong subsidiary in April and Changshou subsidiary in June; liquidation of F.T.C international s.r.l, provisions for impairment of assets of Nanya Technology Corp.; austerity measures, to cope with the impact of global financial tsunami and export decline, including cut on outlays and energy consumption, reduction of cost, expenses, and stock, and manpower contraction.
- 2010 Completion of new dyeing and finishing plant, with annual capacity of 24 million yards, of Dong Nai subsidiary; in response to the new situation after ASEAN-China Free Trade Agreements taking effect, cash capital increment of US\$11 million in April, to fund the construction of new tire cord plant, with annual capacity of 12,000 tons, plus expansion of 2nd weaving fabric plant at cost of US\$3.7 million; acquisition of 4.963% stake in Formosa Ha Tinh Steel Corp.; consolidated revenue reaching new high.
- 2011 Price hike of raw materials, notably gold, cotton, and CPL, due the effect of the Jasmine Revolution in Northern Africa and the Middle East and military friction between North and South Korea, with global crude-oil price breaking US\$120/barrel mark in April; transformation of short-fiber cotton spinning plant into 3rd long-fiber weaving fabric plant, alongside installation of 524 new looms, including 269 weaving-fabric looms, 177 multi-arm looms, 66 weaving machine, and 12 rapier looms; retirement of assistant president Kenbo Huang before joining the board of directors; installation of 297 looms, in batches at 2nd weaving fabric plant of Dong Nai subsidiary in Vietnam; appreciation of New Taiwan dollar against US dollar, breaking the mark of US\$1=NT\$28.4 once; formation of the remuneration committee in Aug., write-off of Formosa Taffeta Trading(Shanghai) Co., Ltd. in Sept.; completion of installation of dipping machines at the new tire cord plant of Dong Nai subsidiary in Dec.; selection of 2007 as the base year



for compliance with ISO 14064-1 standard; passage of the inspection of British Standards Institution (BSI) on Dec. 8; acquisition of certified statement on greenhouse-gas emission by Taiwan Accreditation Foundation (TAF), acknowledged by Taiwan's Environmental Protection Administration and the International Accreditation Forum (IAF), with inventory showing total CO2 emission of 686,177 metric tons, belonging to the grade of reasonable assurance, a milestone of the company's effort in pushing environmental protection and an honor for Taiwan's textile industry; the number of gas stations surpassing the 102 mark; provisions for the impairment of assets of Nanya Technology; revenue reaching NT\$36.2 billion and revenue in consolidated financial statement hitting NT\$53.2 billion, both new highs.

- 2012 Change of the titles of administrator and senior administrator, appointment of vice president; plan for the construction of green-energy dyeing and finishing plant; successive completion of the verification of PAS 2050 carbon footprints for 24 weaving functional fabrics; visit to the company by BSI representatives in Dec.; completion of the installation of the first batch of dipping machines, weaving and twisting machines at tire cord plant of Dong Nai subsidiary in Vietnam; strengthening of the organization for functional fabric of 1st business segment.
- 2013 In compliance with the requirement of the Financial Supervisory Commission, adoption of the International Financial Reporting Standards (IFRSs), compiling financial statement, mainly consolidated one, in traditional Chinese, from Jan.; formulation of six major policies for the year in Feb., including inroads into the global market and removal of waste from repetitive works, notably the project for preventing failure costs; preparation for waterless dyeing process; publication of declaration on sustainable development by managing director and president Hsieh Shih-ming in May; initial publication of "2012 report on green sustainable development" in Aug. for posting on related international websites, for perusal by branded customers and major stakeholders; installation of 12 new looms for fire-proof production line at the plant of Dong Nai subsidiary in Oct.; inauguration of first-phase capacity of 12,000 tons/year at tire core plant of Dong Nai subsidiary in Vietnam, following investment in 2011; gradual increase of self-service gas stations.
- 2014 Approval of US\$15.3 million cash capital increment plan of Dong Nai subsidiary in Vietnam by the Vietnamese government in Jan., fund raising of another US\$22.54 million by Dong Nai subsidiary for 2nd-phase capacity reaching 12,000 tons/year and fire-proof fabric production line with annual capacity of 580,000 yards; suspension of San Francisco office for western U.S.; takeover of the trading business of Hong Kong subsidiary by the Taipei business department; installation waterless dyeing machines at Taiwan plant in April; fund raising of US\$6.4 million by Long An subsidiary in Vietnam for construction of new plant for back-end finishing of functional finishing fabric with annual capacity of 21.42 million yards; eruption of anti-Chinese demonstration in Vietnam on May 14, prompting the Vietnamese plant to suspend operation for two days; selection, for the first time ever, of three independent directors by shareholders' meeting, ushering corporate governance into a new era; setup of an investment company in Cayman, as the channel for indirect investment, in place of original direct investment, Formosa Ha Tinh Steel Corp.; twa- credit rating granted by Taiwan Ratings, elevated to twa+ in Oct.; In July, in accordance with the initiative of the International Textile

Finished Products Organization, the introduction of the Chemical Management and Zero Discharge of Hazardous Substances (ZDHC) project, in which the fluorine-free water repellent and biomass wicking agent were introduced into the market. In August, polyester recycled gauze was certified by McDonough Braungart Design Chemistry (MBDC), Cradle to Cradle product innovation organization. The whole process of raw materials is non-toxic, energy clean, water-saving and carbon-reducing, recycling, named BOOMETEX ® Recycled Polyester, international brand identity. application for capital injection of US\$15 million in Hong Kong subsidiary and Changshou subsidiary, to improve their financial structure, including US\$3 million for construction of leased plant buildings, approved by the Chinese government in Sept., passing away of co-founder Wang Yung-tsai on Nov. 27; completion of installation of around-the-clock detection equipment for printing and dyeing discharge, analyzing water quality and recording water volume, which is connected to local environmental-protection bureau, for real-time detection and response to abnormality; moving of the office of Hong Kong subsidiary and Schoeller FTC (Hong Kong) to room 6 of 16th floor, from original room 5 of 11th floor, of the same building.

- 2015 Publication by president Hsie Shih-ming in Jan. management policy Transform Mentality; Accelerate innovation; Pursue Value; ; approval by Chinese government in March of spinoff of Changshu Fushun Enterprist Management Co., Ltd.; from Changshou subsidiary, with the latter offering the former assets of 9,206 square meters of residence and US\$900,000 of total investment and capital, totaling to the investment amount of US\$83.1 million and the capital reaching to US\$43.1 million; acquisition of Changshu Fushun Enterprist Management Co., Ltd. in June by Changshu Yu Yuan Development Co., Ltd., with registered capital of US\$ 900,000; in exchange of 40.78%; R&D on environment-friendly process, introduction of non-water plazma repellent technology and equipment; publication of "CSR report 2014" in Dec., verified by a third party; passage of ISO 50001 certification for the company's entire energy management system in Dec.; drop in the company's materials and energy costs, including overseas plants, due to plunge in international prices of raw materials, induced by continuous decline of global oil prices from Jan. 2014 through Jan. 2016; phenomenal 50% growth of profits of gas stations, despite revenue decline on slump of oil prices; increase of the number of gas stations to 105; inclusion, as the only textile company, into top 5%, or 41 companies, among public companies in 2015 corporate governance evaluation by Taiwan Stock Exchange, with award being granted in June, 2016.
- 2016 Declaration by president Hsie Shih-ming again to push "Industry 4.0" and cut failure costs in Jan.; cooperation with National Yunlin University of Science and Technology in holding 160-hour education and training courses on programmable control PLC/human-machine interface (HMI) for Industry 4.0, attended by 60 staffers; promoting managing director and president, Hsie Shih-ming, to be vice chairman and president; publication of "2015 CSR report," as an established practice every year; inclusion of gas stations in the coverage of verification, elevation to first-type AA1000 medium assurance; granting by third party of twA+ for long-term credit rating and twA-1 for short-term credit rating, with a stable long-term outlook; contract with renowned U.S. brand Gore for cooperative production of high-end waterproof moisture-permeable laminating grey fabric, ceremony for inauguration of "Bumblebee plant", constructed under "Bumblebee" project, at the

end of August; completion and inauguration of 2nd-phase facility of tire cord plant of Dong Nai subsidiary with annual capacity of 12,000 tons in Sept.; granting by the Ministry of Labor of certificate for passage of corporate evaluation for TTQS (talent quality management system) in Oct.; change of corporate charter, as well as corporate representatives, directors, installation of supervisors, and registration items, by Long An and Dong Nai subsidiaries, according to corporate law of Vietnam, followed by issuance of new corporate license in Oct. and Dec.; continuing R&D on waterless, non-water plazma repellent environment-friendly process, acquisition of new-type patent for Intelligent temperature control apparel.

2017 In January, promotion of Lee Ming-change to be the executive vice president, from the original post of vice president of 1st business group.

In February, setup of Public More International Company Ltd., with paid-in capital of NT\$5 million.

In March, Formosa Taffeta Dong Nai Company Limited change its corporate charter and representative of corporate investors, institution of supervisors, and revision of corporate registration and was issued the new corporate license.

In June, institution of auditing committee to replace original supervisors.

In November, appointment of Lee Ming-change as president by the board of directors.

Closure of steel coil processing plant for production of umbrella ribs of Zhongshan subsidiary in Oct., following sold out of the equipment.

Reception of "best trade contribution award" and "award for contribution to the exploration of major overseas emerging markets" for the textile category of the 2017 "Awards for Excellent Trading Businesses," granted by the Ministry of Economic Affairs in Sept., 2018.

2018 In March, installation of new dyeing and finishing capacity at 12 million yards/year by Long An subsidiary in Vietnam with test run.

In March, change of internal audit supervisor by Board of directors.

In March, approval of land transaction of 26,047 square meter at Dounan Township, Yunlin County by Board of Directors.

In April, reshuffle R&D center into a division.

In May, approval of land transaction of 51,533.3 square meter at Dounan Township, Yunlin County by Board of Directors.

In July, passage of selling the share of Formosa Advanced Technologies Co., Ltd., less than 84,022,000 shares, through block trade by the board of directors, holding its 46.68% shares.

In November, approval of changing the financial officer and accounting officer by the Board of Directors.

In December, reception of FTSE4Good TIP Taiwan ESG Index.

Reception of "certification mark of top 500 excellent exporters/importers of 2018," granted by the Bureau of Foreign Trade in Oct., 2019.

2019 In February, application for dissolution of subsidiary F. T. C. America Corp.

In March, approval of increment of 4.5 million US dollars invested in FG INC via the investment structure by the board of directors.

In April, rated as 6~20% of the fifth corporate governance evaluation by Taiwan Stock Exchange.

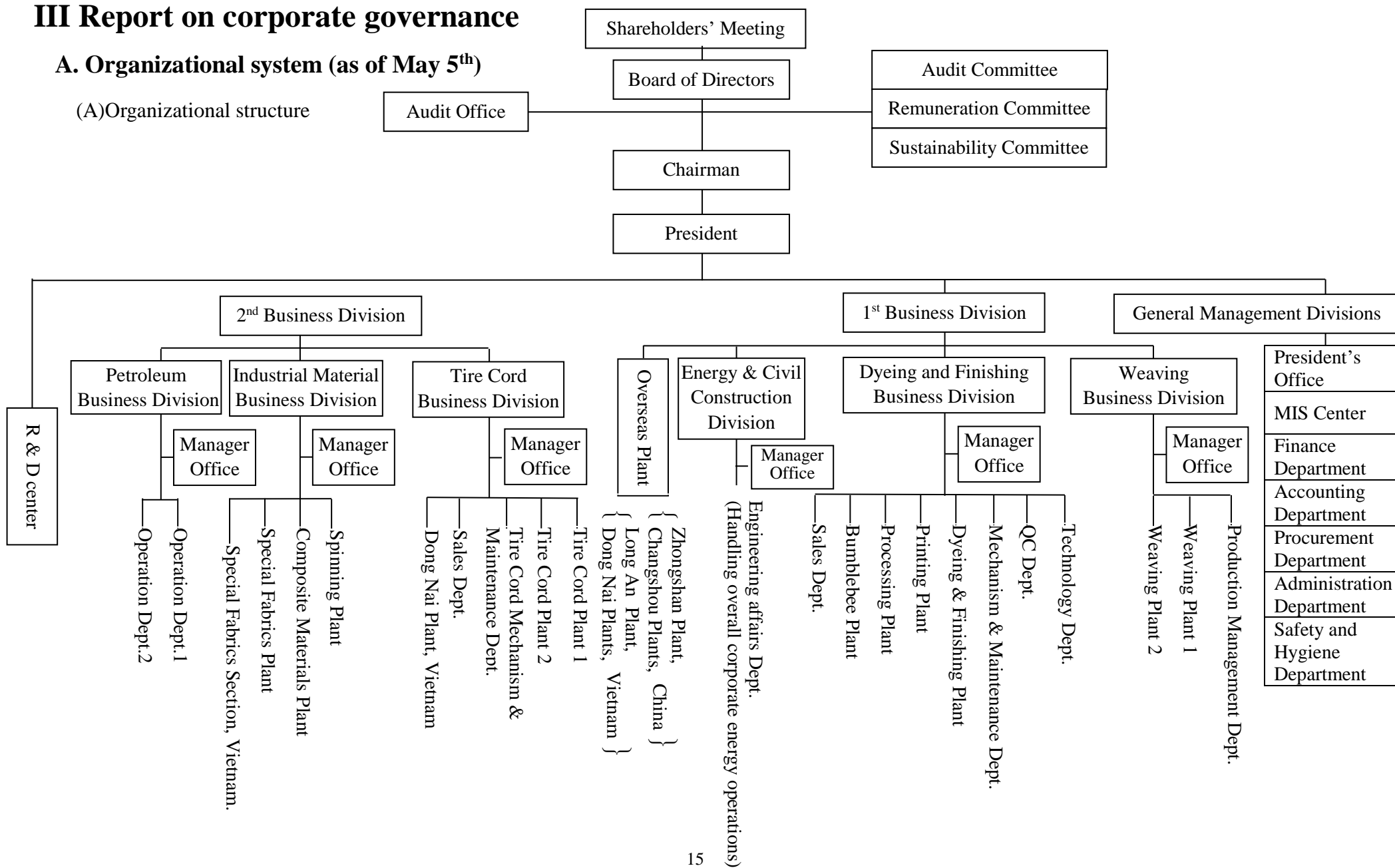
- In May, installation of first supervisor of corporate governance.
- In September, operation of solar panels of 1,000KW installed in Long An Subsidiary.
- In October, approval of capital increment with earnings on Schoeller Textil AG.
- In December, disposal of shareholding of Formosa Advanced Technologies Co., Ltd. to 30.68%, excluding it from the subsidiary of consolidated financial report of the Company.
- Awarded the leadership in Climate Change questionnaire and water security questionnaire of CDP.
- 2020 In March, approval of cash capital increase in Schoeller Textil AG, holding 50% of its shares.
- In March, transfer 50% equity interest of Schoeller F.T.C. (Hong Kong) Co., Ltd. to the original joint venture for operation.
- In July, dissolution of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.
- In July, selected as the constituent of TWSE RA Taiwan Employment Creation 99 Index.
- In October, awarded by the Taiwan Outdoor Group (TOG).
- In November, dissolution of Formosa Taffeta (Cayman) Co., Ltd.
- In November, Taiwan Plant II awarded as the best enterprises of carbon emissions reduction.
- In December, rated as leadership of Climate Change Questionnaire in CDP, and A list of water security questionnaire.
- In December, TCFD supporter.
- 2021 In March, resolution to change the Chief Internal Auditor by the Board.
- In November, awarded as the best enterprises of carbon emissions reduction by Industrial Development Bureau, Ministry of Economic Affairs.
- In December, rated as leadership on climate change and water security, published by CDP.
- In December, installation of phase two of 1,750 KW of solar power generation system in Long-An subsidiary, with 2,750KWH solar power system completed.
- In December, capital increment of US\$ 7,200,000 on Dong Nai Subsidiary, registered investment amount reaching to US\$ 176,860,000.
- 2022 In January, reorganize the plastic processing plant and the carbon fiber composite material plant into composite material plant.
- In January, reshuffle Safety & Hygiene Office into Safety and Hygiene Department.
- In January, the passing away of vice chairman, Hsieh Shih-ming.
- In January, installation of 2,600 KWH solar power system in Taiwan Plant.
- In April, installation of 1,550KWH solar power system in Changshou Plant.
- In April, rated as 6~20% of the 8<sup>th</sup> corporate governance evaluation by Taiwan Stock Exchange.
- In May, approval of establishing the Sustainability Development Committee by the Board.
- In July, appointment of Chief Information Security Officer by the Board.
- In November, awarded as the best enterprises of carbon emissions reduction by Industrial Development Bureau, Ministry of Economic Affairs.
- In December, rated as the A-list on the climate change in CDP, and leadership on water security.
- In December, dissolution of Changshu Yu Yuan Development Co., Ltd.
- 2023 In March, approval of Science-Based Target initiative, SBTi.

# Organizational chart of Formosa Taffeta Co., Ltd.

## III Report on corporate governance

### A. Organizational system (as of May 5<sup>th</sup>)

(A)Organizational structure



(B) Main businesses of all segments and divisions:

- 1<sup>st</sup> Business Segment: dyeing, finishing, printing, and back-end processing of woven fabrics made of chemical filament; governance of Weaving Division, D & F Division, Guangdong China Plants and Jiangsu China Plants, Vietnam Long-an Plants, Vietnam Dong-nai Plants, Taipei Office, Hong Kong Subsidiary, and HCM City Branch, etc. Main products include polyamine fabrics, polyester fabrics, international branded sports fabrics, and fabrics with rich functions, Medical fabrics.
- Tire Cord Division of the 2nd Business Segment: manufacture of tire cord fabric, base cloths of conveyor ducks, chafers for tire-lips, anti-puncture fabric for bikes, lining fabric, etc.; governance of Tire Cord Plant in Dong-nai, Vietnam.
- Industrial Material Division of the 2nd Business Segment: manufacture of cotton yarn, blended yarn, MVS yarn, nano far infrared ray fiber, nano anion fiber, Germanium fiber, fine diner fiber, hollow section insulation fiber, low-pilling fiber, functional fiber, comfort fiber, eco-friendly fiber, protective fiber, flame resistance fabric, protective fabrics of uniforms for military, Military, police, firefighter protective fabrics, Medical protective antibacterial fabrics, blullet proof fabric, anti-puncture fabric, carbon fiber fabrics, prepreg for materials of shells of notebooks and cellphones, bikes, and golf clubs, carbon fiber fabrics for autos, pipeline reinforcement jackets, PE plastic bags, etc.
- The Petroleum Business Division of the 2nd Business Segment: operation of gasoline stations; offers of petroleum, diesel, lubricant, car appliances and service of car washing.

**B. Data on directors, president, vice presidents, deputy assistant vice presidents, and chiefs of various divisions and branches**

(A) Data on directors

April 18, 2023

Title (note1)	Nationality/Place of Registration	Name	Gender and age (note 3)	Date of election (appointment)	Tenure (Years)	Date of first election (note 4)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 5)	Director's Current Position at FTC and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 6)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R O C	Wong, Wen-yuan, Representative of FCFC	Male, aged over 70	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Master, industrial engineering, University of Houston Bachelor, Chemical Engineering, University of Houston	Chairman of Taiwan Textile Federation, Managing director of Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemical & Fibre Corporation, and Formosa Petrochemical Corporation.	Nil	Nil	Nil	Nil
						1992. 9.17	0	0	0	0	8,777	0	0	0						
Managing Director (Independent Director)	R O C	Lin, Sheng-chung	Male, aged over 70	2020. 6.19	3	2020. 6.19	0	0	0	0	0	0	0	0	Doctorate in Institute of Natural Resources Management, National Taipei University Chairman of CPC	Independent director of Taiwanglass, SWANCOR, Century Iron and Steel Industrial Co., Ltd., Consultant of Chinese	Nil	Nil	Nil	Nil

Title (note1)	Nationality/Place of Registration	Name	Gender and age (note 3)	Date of election (appointment)	Tenure (Years)	Date of first election (note 4)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 5)	Director's Current Position at FTC and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 6)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Corporation, Taiwan Deputy Minister & Vice Minister of Ministry of Economic Affairs	National Association of Industry and Commerce, Taiwan					
Independent Director	R O C	Kuo, Nein-hsiung	Male, aged over 70	2020. 6.19	3	2020. 6.19	0	0	0	0	0	0	0	0	Master in Urban Planning, National Chung Hsing University, President of Taiwan Land Development Corp. & China Development Asset Management Corp. Deputy Director-General of Industrial Development Bureau, Ministry of Economic Affairs	Director of Taiwan Puritic Corp.	Nil	Nil	Nil	Nil
Independent Director	R O C	Kuo, Chia-chi	Female, aged over 51~60	2020. 6.19	3	2015. 6.26	3,000	0	3,000	0	0	0	0	0	Department of Accounting, National Taiwan University	CPA of Kuo Chia-chi Accounting Firm, Independent director of FBT, Director of Zongtai Real Estate Development Co., Ltd.	Nil	Nil	Nil	Nil
Director	R O C	Hong Fu-yuan, Representative of FCFC	Male, aged over 70	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Chung Yuan Christian University	Chairman of FCFC	Nil	Nil	Nil	Nil
						2005. 6.17	0	0	0	0	0	0	0							
Director	R O C	Lee, Ching-Fen, Representative of FCFC	Male, aged 61~70	2021. 10.15	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Tamkang University	Executive Vice president of FCFC	Nil	Nil	Nil	Nil
						2021. 10.15	0	0	0	0	0	0	0							
Director	R O C	Lee, Ming-chang, Representative of FCFC	Male, aged over 70	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	President of FTC, Formosa Taffeta Long An, and Formosa Taffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil	Nil
						2002. 6.14	281,538	0.02	281,538	0.02	0	0	0	0						
Director	R O C	Lee, Chien-Kuan, Representative of FCFC.	Male, aged 61~70	2021. 10.15	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Public Administration, National Chung Hsing University	Vice President of FTC	Nil	Nil	Nil	Nil
						2021. 10.15	0	0	0	0	0	0	0							

Title (note1)	Nationality/Place of Registration	Name	Gender and age (note 3)	Date of election (appointment)	Tenure (Years)	Date of first election (note 4)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 5)	Director's Current Position at FTC and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 6)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R O C	Lee, Man-chun, Representative of Lai Shu-wang Foundation	Male, aged over 70	2020. 6.19	3	1990. 5.4	4,151,942	0.25	4,151,942	0.25	0	0	0	0	Master, Gradual School of Accounting, National Chengchi University	CPA, Lee Man-chun Accounting Firm	Nil	Nil	Nil	Nil
						1998. 3.31	0	0	0	0	0	0	0							
Director	R O C	Hsieh, Ming-der	Male, aged 61~70	2020. 6.19	3	2011. 6.28	15,548,068	0.92	15,548,068	0.92	4,569,969	0.27	0	0	Department of Machinery, Taipei City University of Science & Technology	Chairman, Yu Yuang Textile Co., Ltd. and Shun Chin Enterprise Co., Ltd.	Nil	Nil	Nil	Nil
Director	R O C	KEYFORD DEVELOPMENT CO., LTD. (Note 2) Representative : Vacancy	—	2020. 6.19	3	2008. 6.27	113,000	0.01	113,000	0.01	0	0	0	0	—	—	—	—	—	—
						—	—	—	—	—	—	—	—							

Note 1: List the names of institutional shareholders and their representatives separately (for representatives of institutional shareholders, specify the names of the latter) and fill in table 1 below.

Note 2: Representative of KEYFORD DEVELOPMENT CO., LTD., Hsieh, Shih-Ming, passed away on January 10, 2022, and as of the April 18, 2023, the replacement has not been designated.

Note 3: Fill in the date for directors or supervisors to assume the office for the first time and specify the existence of suspension for the job, if any.

- (1) Mr. Hong Fu-yuan was designated by institutional supervisor Formosa Chemicals & Fibre Corp. as its representative for the seat on June 17, 2005 before being designated by the latter as its representative for its seat as a director.
- (2) Mr. Lee, Ching-Fen was appointed as the director representative by the legal person director Formosa Chemicals & Fibre Corp. on October 15, 2021.
- (3) Mr. Lee Ming-chang served as the company's director on June 14, 2002 before being designated by institutional director Formosa Chemicals & Fibre Corp. as its representative for the seat on June 26, 2014.
- (4) Mr. Lee, Chien-Kuan was appointed as the director representative by the legal person director Formosa Chemicals & Fibre Corp. on October 15, 2021.
- (5) Mr. Lee Man-chun was designated by Lai Shu-wang Foundation as its representative for its seat as an institutional director on March 31, 1998, then for its seat as an institutional supervisor on June 27, 1998, and for its seat as an institutional director again on June 23, 2017.

Note 4: If experience related to current position includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Note 5: The Chairman of the Company and the General Manager or equivalent (the top manager) are the same person, spouse or relative within first degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Note 6: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increment of independent directors without more than half of directors are nor employees or managers)



Table 1: Major shareholders of institutional shareholders

April 18, 2023

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders(note 2)
Formosa Chemicals & Fibre Corp	Chang Gung Medical Foundation (18.58%), Chingdwell International Investment Corp. (6.35%), Vason International Investment Co.,Ltd. (3.80%), Formosa Plastics Corp. (3.39%), Nan Ya Plastics Corp. (2.40%), Wong Wen-yuan (2.20%), Fubon Life Insurance Company Limited (2.10%), Consolidated Power Development Corp. (1.63%), Standard Chartered Bank (Taiwan)Ltd In Custody for Genesis Equity Group Inc. (1.51%), and HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp. (1.45%)
Keyford Development Co., Ltd.	Ho Chen-fang (1.67%), Hsieh Hsiu-li (1.67%), Hsieh Ying-chan (1.67%), Hsieh Ming-der (10%), Hsieh Ming-ta (1.67%), Keyfore Industrial Holding Limited (83.32%)
Lai Shu-wang Foundation	Lai Ming-hsiung, Lai Ming-tsung, Chen Yi-li, Hsu Yi-nan, Tsai Wei-tsung, Xu, Jing-wen, Lin Pei-yuan, Chen Shu-chu, Lee Man-chun

Note 1: For directors who are representatives of institutional shareholders, specify the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings, and fill in table 2 below, if major shareholders are institutional shareholders.

Note 3: If the institutional shareholder is not a company, the name and shareholding ratio of shareholders that must be disclosed above is the name and ratio of contributions or donations from the investor or donor. Specified "deceased" if the donor has passed away.

Table 2: Major shareholders of major institutional shareholders in table 1

April 18, 2023

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders ( note 2 )
Chang Gung Medical Foundation (note 5)	Nan Ya Plastics Corp. (18.20%), Formosa Chemicals & Fibre Corp. (14.01%), Formosa Plastics Corp. (13.44%), Wang Yung-tsai(deceased) (11.38%), Wang Yung-ching(deceased) (7.44%)
Chingdwell International Investment Corp.	Everred Corporate, Inc.(100%)
Vason International Investment Corp.	Landmark Capital Holdings Inc.(100%)
Formosa Plastics Corp.	Chang Gung Medical Foundation (9.44%), Formosa Chemicals & Fibre Corp. (7.65%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (6.26%), Nan Ya Plastics Corp. (4.63%), Chingdwell International Investment Corp. (4.16%), Vason International Investment Corp. (3.05%), Formosa Petrochemical Corp. (2.07%), Citibank Taiwan in custody of Singaporean government foundation account (1.50%), Ming Chi University of Technology(1.43%), and Old Labor Pension Fund (1.25%)
Nan Ya Plastics Corp.	Chang Gung Medical Foundation (11.05%), Formosa Plastics Corp. (9.88%), Formosa Chemicals & Fibre Corp. (5.21%), Chang Gung University (4.00%), Vason International Investment Corp. (2.39%), Formosa Petrochemical Corp. (2.26%), Chingdwell International Investment Corp. (1.86%), An investment account of the LGT Singapore under the custody of Standard Chartered International Commercial Bank's Business Department (1.50%), an investment account under the custody of Citibank Taiwan (1.45%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (1.20%)
Fubon Life Insurance Company Limited	Fubon Financial Holdings (100%)
Consolidated Power Development Corp., Ltd.	Cabo de Roca Corporation(100%)
Standard Chartered Bank (Taiwan) in custody for Genesis Equity Group Inc.	Investment account

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders ( note 2 )
HSBC Bank (Taiwan) Limited in custody for Consolidated Power Development Corp.	Investment account
Keyford Industrial Holding Limited	Keyford Industrial Fund(100%)

Note 1: Similar to table 1, if major shareholders are institutional shareholders, fill in the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings.

Note 3: If the institutional shareholder is not a company, the name and shareholding ratio of shareholders that must be disclosed above is the name and ratio of contributions or donations from the investor or donor. Specified "deceased" if the donor has passed away.

Note 4: Donation rate is calculated on the basis of the accumulated donation amount in past years and value of donated stocks is calculated according to face value.

Note 5: Donation share for Chang Gung Medical Foundation is calculated on the basis of the accumulated donation amount as of Dec. 31, 2022.

## Data on directors (II)

### 1. Disclosure of information on directors' professional qualifications and independence of independent directors:

April 18, 2023

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
<p>Formosa Chemicals &amp; Fibre Corporation</p> <p>Wen Yuan, Wong</p>	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, oil, gas and electricity, semiconductors, steel, shipping, and biotechnology industries. Held senior executive positions in the industries above, and currently serves as the chairman or director of related companies.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective. Served as the Chairman of Chinese National Federation of Industries. Leads multinational companies in China, the United States, and Vietnam, and is currently the chairman of Taiwan Textile Federation.</p> <p>Specializes in engineering technology, has an indepth understanding of AI, and leads the Company in energy conservation and emission reduction, circular economy, AI simulation, and digital transformation.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	<p>0</p>
<p>Independent Director,</p> <p>Lin, Sheng-chung</p>	<p>Being the Company's managing and independent director, Lin has a welth of experience in the areas of industry, official, academic, and business management, including textile fibers, plastics, glass, ceramics, steel, oil, gas and electricity, financial insurance, building material and construction. With an excellent international perspective and judgement, Lin is good at trades, energy policy, international trade investment.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p> <p>Without being the director of the special</p>	<p>3</p>

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
	<p>Acted as the Chairman of CPC Corporation, deputy minister &amp; vice minister of Ministry of Economic Affairs, director-general of Construction Bureau of Taipei City Government (currently named Department of Economic Development Taipei City Government), the observer delegation of ROC to the World Trade Organization. Currently, being emeritus professor of Chung Yuan Christian University, consultant of Chinese National Association of Industry and Commerce, the independent director of Taiwanglass, Swancor, Century Iron and Steel Industrial Co. Ltd, and the convenor of the Company's audit committee and remuneration committee, and without the conditions stipulated in the Article of Company Act. While being the Chairman of CPC Corporation, the business performance reached to over NT\$60 billion. The outstanding performance allows to assist the Company to create a better performance, provide the consultancy and decision-making, and supervise the internal control and financial statements to fulfill the responsibility of an independent director.</p>	<p>relationship with the Company, in compliance with the Item 5~8 of Article 3-1 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies</p> <p>Without getting the pay from providing the Company and related companies with the service of consultant legal, finance, and accounting.</p>	

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
<p>Independent Director, Kuo, Nein-hsiung</p>	<p>Being the Company's independent director, he has a wealth of experience in the industry, business management and professional experience, including textile fibers, plastics, oil, gas and electricity, biotechnology and semiconductor industries. Served as the President of Taiwan Land Development Corp. &amp; China Development Asset Management Corp, Deputy Director-General of Industrial Development Bureau, Ministry of Economic Affairs Chief Secretary &amp; Section Chief, Construction and Planning Agency, Ministry of the Interior. Currently, he is the Company's member of audit and remuneration committee, and without conditions stipulated in the Article of Company Act.</p> <p>While being the Deputy Director-General of Industrial Development Bureau, Kuo is familiar with the industry policy and stipulation, the management and development of industrial park, and important business plans. The experience allows to help the Company to manage business policy, industry development, and provide the consultancy and decision to monitor the Company's internal control and financial statement to fulfill a responsibility of an independent director.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p> <p>Without being the director of the special relationship with the Company, in compliance with the Item 5~8 of Article 3-1 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies</p> <p>Without getting the pay from providing the Company and related companies with the service of consultant legal, finance, and accounting.</p>	<p>0</p>

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
Independent Director, Kuo, Chia-chi	<p>Being the Company's independent director, she has a wealth of experience in the industry, business management and professional experience, including textile fibers, plastics, financial insurance, building material and construction, oil, gas and electricity, biotechnology and semiconductor industries. Currently, she is the director of Zongtai Real Estate Development Co., Ltd, the independent director of Fine Blanking &amp; Tool Co., Ltd., CPA of Kuo Chia-chi Accounting Firm, and the member of the Company's audit and remuneration committee, and without any conditions stipulated in Article 30 of the Company Act.</p> <p>Has deep understating and wealth of experience in the accounting, finance, tax, financial analysis, and land development, allows to provide the Company with the key consultancy and decisions and effectively monitor the Company's internal control and financial statement to fulfill the responsibility of an independent director.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p> <p>Without being the director of the special relationship with the Company, in compliance with the Item 5~8 of Article 3-1 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies</p> <p>Without getting the pay from providing the Company and related companies with the service of consultant legal, finance, and accounting.</p> <p>Currently holds 3,000 shares of the Company.</p>	1

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
Formosa Chemicals & Fibre Corporation Hong Fu-yuan	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, oil, gas and electricity, steel, shipping, and biotechnology industries. Currently serves as the chairman of Formosa Chemicals and Fibre Corp. or director of related companies.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	0
Formosa Chemicals & Fibre Corporation Lee, Ching-Fen	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, oil, gas and electricity industries. Currently serves as the Executive Vice President of Formosa Chemicals and Fibre Corp. to assist president in managing operating and management businesses of the Plastics &amp; Textile Segment and the Engineering &amp; Utility Division.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	0
Formosa Chemicals & Fibre Corporation, Lee, Ming-chang	<p>Has a wealth of industry knowledge and management experience, including plastics, textile fibers, oil, gas and electricity, semiconductor, and building material and construction industries. Currently serves as the president of the Company to manage all operating and management businesses of the whole company.</p> <p>Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective, leads the implementation of KPI management, and supervises the Company's implementation of ESG to move the Company towards the sustainability development and digital transition.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	0



<div>Criteria</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
<p>Formosa Chemicals &amp; Fibre Corporation, Lee, Chien-Kuan</p>	<p>Has a wealth of industry knowledge and management experience, including textile fibers, oil, gas and electricity. Currently serves as the deputy vice President of the 1st Business Segment of the Company to manage all operating and management businesses of the 1st Business Segment.</p> <p>Has been the vice president in Vietnamese plant and development in the southbound market. Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	<p>0</p>
<p>Lai Shu-wang Foundation, Lee, Man-chun</p>	<p>Has a wealth of financial knowledge and accounting experience. Specizes in the financial accounting and policy.</p> <p>Served as the auditor of National Audit Office. Currently being the CPA of Lee, Man-chun accounting firm, chief executive officer of Shu-wang Lai's Welfare and Charity Foundation, director of Feng Chia accounting education foundation, adjunct Instructor of Department of Accounting of Feng Chia University and Providence University.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	<p>0</p>
<p>Hsieh, Ming-der</p>	<p>Has a wealth of industry knowledge and management experience, including textile fibers, platics, glass, ceramics, and optoelectronic. Currently serves as the director of Calin Technology and Yu Yuang Textile Co., Ltd., as well as the chairman of Shun Jin Industrial Co., Ltd. Has leadership, decision-making, crisis management abilities, communication and coordination, and risk management.</p>	<p>No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.</p>	<p>0</p>

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
KEYFORD DEVELOPMENT CO., LTD. (vacancy)	—	—	—

## B. Diversification policy for membership of the board of directors

### (1) Diversification of the board of directors:

1. The nomination and election of the Board of Directors of the Company complies with Code of Practice for Corporate Governance of the Company and adopted candidate nomination system. Besides the assessment of each candidate's education and experience, the Company takes stakeholders' opinions into consideration and complies with "Rules for Election of Directors of the Company" and "Corporate Governance Principle" to ensure the diversity and independency of the board members. Besides the knowledge, skills and literacy are necessary for the performance of the Board of Director. To achieve the idol purpose of the corporate governance, the overall abilities of the Board of Directors should include: 1. operational judgment, 2. accounting and financial analysis, 3. operation management, 4. risk management, 5. industrial knowledge, 6. perspectives of the international market, 7. leadership, 8. decision-making, etc.
2. As of the end of April, 2023, the board of the Company consists of 10 directors with diversified backgrounds, professional capabilities, and operating experience. 3 independent directors are among them, accounting for 30% of the Board, and one of them is female, accounting for 10% of the Board. The Company has achieved the target to set up a female director in the board. The goal of all Board members is to possess 50% or more of the diverse industry experiences or expertise (such as business management, leadership, decision-making, industrial knowledge, international knowledge, accounting analysis, and legal background) to deepen the independency of the corporate governance and diversification of the board. Please refer to 2.1 data on directors of III. Corporate Governance. The operation of the diversification of the board is indicated below:

Name	Nationality	Gender	Management/professional background and management/decision making capability					
			Management and administration	Leadership and decision making	Industrial knowledge	International knowledge	Financial/ accounting/ analysis.	Law
Wong, Wen-yuan FCFC	ROC	Male	V	V	V	V		
Lin, Sheng-chung, independent director	ROC	Male	V	V	V	V		
Kuo, Nein-hsiung, independent director	ROC	Male	V	V	V	V		
Kuo, Chia-chi, Independent director	ROC	Female	V	V	V	V	V	
Hong, Fu-yuan FCFC	ROC	Male	V	V	V	V		
Lee, Ching-Fen FCFC	ROC	Male	V	V	V	V		
Lee, Ming-chang, FCFC	ROC	Male	V	V	V	V		
Lee, Chien-Kuan, FCFC	ROC	Male	V	V	V	V		
Lee, Man-chun, Lai Shu-wang Foundation	ROC	Male	V	V	V	V	V	
Hsieh, Ming-der	ROC	Male	V	V	V	V		
Keyford Development Co., Ltd. (Vacancy)	-	-	-	-	-	-	-	-

(2) Independency of the board of directors:

As of the end of April, 2023, the board consists with 10 directors, and three of them are independent directors, accounting for 30% of the board. Besides, no spouse or two degrees of kinship of independent directors serve as the directors of the Company. Except Kuo, Chia-chi, independent

director, who holds 3,000 shares of the Company, other independent directors and their spouses do not hold the Company's shares. The independent directors do not provide audit, commence, legal, financial, or accounting services and get the payment from them in accordance with article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other directors do not have their spouses and two degrees of kinship of relatives serve as the Company's directors, which compiles with Article 26-3 of Securities and Exchange Act. Among directors, no relationship of spouse or the relation within two degrees of kinship exist in compliance with Article 26-3-3 and 4 of Securities and Exchange Act. (Relevant information please refer to the data on director.)

Note 1: Professional qualification and experience: The professional qualification and experience of each director and supervisor shall be specified. Where the member of the remuneration committee processes the accounting or finance expertise, its qualification and work experience shall be elaborated and whether involvement in Article 30 of Company Act or not shall be also specified.

Note 2: Independent Director shall state the conditions that qualify them as independent, including but not limited to whether the person, his/her spouse, relatives within the second degree of kinship are appointed as directors, supervisors or employees of the Company or its affiliates; the number and ratio of the shares of Company held by the person, his/her spouse and relatives within the second degree of kinship or under the name of another person; whether the person is a Director, Supervisor or employee of a company that has a specific relationship with the Company (with reference to Subparagraphs 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Director and Compliance Matters for Public Companies); and the remuneration received for commercial, legal, financial and accounting services rendered to the Company or its affiliates in the past two years.

Note 3: For the disclosure method, please refer to the template on the Taiwan Stock Exchange Rules & Regulations Directory website.

## (B) Management Team

2023.04.18

Title (note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Director's Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 2)	Current Position at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark (note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Lee, Ming-chang	Male	2017.11.09	281,538	0.02	-	-	-	-	Department of Textile Engineering, Feng Chia University	Chairman of Formosa Taffeta Long An and Formosa Taffeta Dong Nai; Director of Quang Viet Enterprise	Nil	Nil	Nil	
Financial Chief Corporate Governance Chief	R.O.C	Cheng, Hung-ning	Male	2018.11.02 2019.05.03	-	-	-	-	-	-	Department of Business Administration, Chinese Culture University	Supervisor of Formosa Taffeta Long An, Dong Nai, Zhong Shan, and Changshu.	Nil	Nil	Nil	
Accounting Chief	R.O.C	Lee, Shu-ming	Male	2018.11.02	6,507	-	-	-	-	-	Department of Accounting, Feng Chia University	Nil	Nil	Nil	Nil	
Manager, R&D Center	R.O.C	Liu, Fang-jong	Male	2018.02.01	-	-	-	-	-	-	Textile section, Nan Ya Institute of Technology	Nil	Nil	Nil	Nil	
Vice President of the 1 <sup>st</sup> business segment	R.O.C	Lee, Jian-Kuan	Male	2021.08.06	-	-	-	-	-	-	Department of Public Administration, National Chung Hsing University	Director of Formosa Taffeta Long An, Dong Nai, Zhong Shan, and Changshu.	Nil	Nil	Nil	
Manager of Dyeing and Finishing Business Division	R.O.C	Lin, Hung-Mung	Male	2018.02.01	-	-	-	-	-	-	Chemical Engineering section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil	
Manager, Weaving Business Division	R.O.C	Hsu, Chung-Fa	Male	2018.10.01	-	-	-	-	-	-	Department of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil	

Title (note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Director's Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education) (note 2)	Current Position at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark (note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Manager, Engineering & Civil Construction Division	R.O.C	Chang, Yung-chiao	Male	2007.06.01	40,050	-	62,651	-	-	-	Electrical engineering section, Electric Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil	
Vice President of the 2 <sup>nd</sup> business segment	R.O.C	Chen, Kun-yuan	Male	2021.08.06	-	-	-	-	-	-	Textile section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil	
Manager, Petroleum Division	R.O.C	Chang, Hung-chi	Male	2016.11.25	5,000	-	-	-	-	-	Department of Business Administration, Tunghai University	Nil	Nil	Nil	Nil	
Manager, Tire Cord Division	R.O.C	Chao, Wen-hong	Male	2017.04.01	-	-	-	-	-	-	Department of chemical engineering, Mational Central University	Nil	Nil	Nil	Nil	
Manager, Industrial Material Division	R.O.C	Chan, Chin-Shun	Male	2019.05.21	-	-	-	-	-	-	Bachelor of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil	

Note 1: Disclosure should cover data on president, vice presidents, assistant vice presidents, or chiefs of various divisions and branches, as well as others with equivalent positions.

Note 2: If experience related to current positions includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Note 3: The Chairman of the Company and the President or equivalent (the top manager) are the same person, spouse or relative within first degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Note 4: The stock ratio column is "-", indicating that the shareholding ratio is less than 0.01%.

Note 5: The aforementioned disclosures cover mainly those with management responsibilities and right of signature in the company.

## C. Compensations for general directors, independent directors, president, and vice presidents in the recent year

(A)The company disclosure in the form of pay range and names of payees

### 1. Compensations for general directors, independent directors

Unit: NT\$1,000; Dec. 31, 2022

Title		Names (note 1)	Director's Remuneration						Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G ) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or Parent Company (Note 11)					
			Base Compensation (A)		Severance Pay (B) (Note 2)		Directors Compensation (C)(Note 3)				Allowances (D)(Note 4)		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)					Employee Compensation (G) (Note 6)				
			The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements (Note 7)	Cash		Stock	Cash	Stock		
Directors		Chairman	Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	0	0	0	0	3,654	3,654	450	460	4,104 0.1205%	4,114 0.1208%	14,000	14,000	0	0	3	0	3	0	18,107 0.5318%	18,117 0.5321%	52735
		Director	Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.																					
		Director (Note)	Lee, Ching-Fen, Formosa Chemicals & Fibre Corporation																					
		Director	Lee, Ming-chang, Formosa Chemicals & Fibre Corp																					
		Director (Note)	Lee, Chien-Kuan, Formosa Chemicals & Fibre Corp																					
		Director	Lee, Man-chun Lai Shu-wang's Foundation																					
		Director	Hsieh, Ming-Der																					
	Vice chairman (Note)	Hsie, Shih-ming Keyford Development Co., Ltd.																						

Title		Names (note 1)	Director's Remuneration						Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G ) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or Parent Company (Note 11)				
			Base Compensation (A)		Severance Pay (B) (Note 2)		Directors Compensation (C)(Note 3)				Allowances (D)(Note 4)		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)					Employee Compensation (G) (Note 6)			
			The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	Cash	Stock		Cash	Stock	The company	Companies in the consolidated financial statements (Note 7)
Independent Directors	Managing Director	Lin, Sheng-chung	3600	3600	0	0	0	0	450	450	4050 0.1189%	4050 0.1189%	0	0	0	0	0	0	0	0	4050 0.1189%	4050 0.1189%	0
	Independent Director	Kuo, Nein-hsiung																					
	Independent Director	Kuo, Chia-chi																					

Note: Director, Hsie, Shih –ming passed away on January 10, 2022.

1. Please state the policy, system, standards and structure of independent directors’ remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: The Company allocated 0.1% of the pre-tax profit before deduction of employees and directors’ compensation for 2022 as directors’ compensation, and the amount of provision was NT\$3,654,265. The independent directors’ remuneration is based on a fixed payment system. The main consideration is to maintain their independence and to play a supervisory role. The fixed annual remuneration for independent directors is NT\$1.2 million, and allowance of NT\$10,000 is paid each time according to the attendance of meetings. In order to enable independent directors to fully exercise their powers, independent directors’ liability insurance has been insured to ease the work pressure of directors. In addition, the Company has stipulated the "Rules of Independent Directors’ Duties", such as independent directors’ monthly review of internal audit reports and financial communication with attesting CPA. For details of the meeting attendance of independent directors, please refer to the "Operational Situation of the Board of Directors", "Operational Situation of the Audit Committee" and "Operational Situation of the Remuneration Committee."

2. Collection of compensations by directors for provision of services to any of the companies in the financial statement in the recent year, other than those disclosed in the table above (such as consulting for non-employees): nil

Note: Director, Hsie, Shih –ming passed away on January 10, 2022.

- Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: The Company allocated 0.1% of the pre-tax profit before deduction of employees and directors' compensation for 2022 as directors' compensation, and the amount of provision was NT\$3,654,265. The independent directors' remuneration is based on a fixed payment system. The main consideration is to maintain their independence and to play a supervisory role. The fixed annual remuneration for independent directors is NT\$1.2 million, and allowance of NT\$10,000 is paid each time according to the attendance of meetings. In order to enable independent directors to fully exercise their powers, independent directors' liability insurance has been insured to ease the work pressure of directors. In addition, the Company has stipulated the "Rules of Independent Directors' Duties", such as independent directors' monthly review of internal audit reports and financial communication with attesting CPA. For details of the meeting attendance of independent directors, please refer to the "Operational Situation of the Board of Directors", "Operational Situation of the Audit Committee" and "Operational Situation of the Remuneration Committee."
- Collection of compensations by directors for provision of services to any of the companies in the financial statement in the recent year, other than those disclosed in the table above (such as consulting for non-employees): nil

\*\* Please list the relevant information of directors (general directors who are not independent directors) and independent directors separately.



Compensations brackets

Compensations brackets for the company's directors	Names of directors (note 12)			
	Total of first four items (A+B+C+D)		Total of first seven items (A+B+C+D+E+F+G)	
	The company (note 8)	All the companies in the financial statement ( note 9)	The company (note 8)	Parent company & All the invested companies (Note 9)
Less than NT\$1,000,000	Wong Wen-yuan, Hsieh Shih-ming, Hong Fu-yuan, Lee, Ching-Fen, Lee Ming-chang, Lee, Chien-Kuan, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Wong Wen-yuan, Hsieh Shih-ming, Hong Fu-yuan, Lee, Ching-Fen, Lee Ming-chang, Lee, Chien-Kuan, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Wong Wen-yuan, Hong Fu-yuan, Lee, Ching-Fen, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation
NT\$1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Lin, Sheng-chung, Kuo, Nein-hsiung, Kuo Chia-chi,	Lin, Sheng-chung, Kuo, Nein-hsiung, Kuo Chia-chi,	Lin, Sheng-chung, Kuo, Nein-hsiung Kuo Chia-chi	Lin, Sheng-chung, Kuo, Nein-hsiung Kuo Chia-chi
NT\$2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Nil	Nil	Hsieh Shih-ming, Lee, Chien-Kuan	Hsieh Shih-ming, Lee, Chien-Kuan
NT\$5,000,000(inclusive) ~ NT\$10,000,000 (exclusive)	Nil	Nil	Lee Ming-chang	Lee, Ching-Fen, Lee Ming-chang
NT\$10,000,000(inclusive) ~ NT\$15,000,000 (exclusive)	Nil	Nil	Nil	Nil
NT\$15,000,000(inclusive) ~ NT\$30,000,000(exclusive)	Nil	Nil	Nil	Wong, Wen-yuan, Hong Fu-yuan

Compensations brackets for the company's directors	Names of directors (note 12)			
	Total of first four items (A+B+C+D)		Total of first seven items (A+B+C+D+E+F+G)	
	The company (note 8)	All the companies in the financial statement ( note 9)	The company (note 8)	Parent company & All the invested companies (Note 9)
NT\$30,000,000(inclusive) ~ NT\$50,000,000(exclusive)	Nil	Nil	Nil	Nil
NT\$50,000,000(inclusive) ~ NT\$100,000,000(exclusive)	Nil	Nil	Nil	Nil
Over NT\$100,000,000	Nil	Nil	Nil	Nil
Total	14	14	14	14

Note 1: Names of directors should be listed separately (in the case of institutional directors, the names of representatives should also be listed); And list general directors and independent directors separately, disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (3-2-1) or (3-2-2) below.

Note 2: Refer to compensations for directors in the recent year (including salaries, job-related allowance, severance pay, various bonuses, and incentive pay).

Note 3: Fill in compensation payouts for directors in the recent year approved by the board of directors.

Note 4: Refer to business execution fees for directors in the recent year (including transportation fees, special allowances, various fringe benefits, dormitory, and company car). For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations.

Note 5: Payments collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, or other positions), including salaries, job-related allowances, severance pay, various bonuses, incentive pays, transportation expenses, special allowances, various fringe benefits, dormitory, and company cars. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.

Note 6: Refer to employee compensations (including shares and cash) collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, and other positions) in the recent year. Disclose plan for payout of employee compensations in the recent year approved by the board of directors. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.

Note 7: Disclose the total of all the compensations paid by all the companies in the consolidated financial statement (including the company) to the company's directors.

Note 8: Disclose the brackets of the total of compensations paid by the company to each director and his/her name.

Note 9: Disclose the brackets of the total of compensations paid by all the companies in the consolidated financial statement (including the company) to each director of the company and his/her name.

Note10: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.

Note11: a. In the column, fill in the value of compensations for directors of the company paid by parent company or invested companies other than subsidiaries. (If there is none, please fill in "None")

b.If the company's directors collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column I of compensation brackets and change the name of the column to "parent company and all the invested enterprises."

c. Compensations refer to rewards, pays, and business execution fees paid by parent company or invested companies other than subsidiaries to the company's directors for holding the latter's positions including directors, supervisors, or managers.

Note12: Compensations for the company's 11 directors (including independent directors) are listed separately, since compensations for representatives of institutional directors are collected by institutional directors.

\* Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

## 2.Compensations for president and vice presidents

Unit: NT\$1,000; Dec. 31, 2022

Title	Name (note 1)	Salary (A) (note 2)		Severance or retirement pay (B)		Incentive pay and special allowance (C)		Value of employee compensations (D) (note 4)				Share of the total of A, B, C, and D in after-tax net profit		receive remuneration from overseas investment in subsidiaries or parent company (Note 9)
		The company	All the companies in the financial statement (note 5)	The company	All the companies in the financial statement note 5)	The company	All the companies in the financial statement (note 5)	The company		All the companies in the financial		The company	All the companies in the financial statement (note 5)	
								Cash	Stock	Cash	Stock			
President	Lee Ming-chang	5,248	5,248	0	0	11,723	11,723	7	0	7	0	16,978 0.4986%	16,978 0.4986%	580
Vice President	Lee, Jian-Kuan													
Vice President	Chen, Kun-yuan													
Deputy Vice President	Cheng, Hung-ning													

\*Regardless of the title, any position equivalent to the general manager, deputy general manager (for example: president, CEO, director...etc.) should be disclosed.

### Compensation brackets

Bracket of compensations for the company's president and vice presidents	Names of president and vice presidents	
	The company (note 6)	Parent company and All the invested companies (note 7)
Less than NT\$1,000,000	Nil	Nil
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Nil	Nil
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Chen, Kun-yuan	Chen, Kun-yuan
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Lee, Jian-Kuan, Cheng, Hung-ning	Lee, Jian-Kuan, Cheng, Hung-ning
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Lee Ming-chang	Lee Ming-chang
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Nil	Nil
NT\$15,000,000(inclusive)~NT\$30,000,000 (exclusive)	Nil	Nil
NT\$30,000,000(inclusive)~NT\$50,000,000 (exclusive)	Nil	Nil
NT\$50,000,000(inclusive)~NT\$100,000,000(exclusive)	Nil	Nil
Over NT\$100,000,000	Nil	Nil
Total	4	4

Note 1: Names of president and vice presidents should be listed separately; disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (1-2-1) or (1-2-2) below.

Note 2: Fill in salaries, job-related allowance, and severance pay for president and vice presidents in the recent year.

Note 3: Fill in payments for president and vice presidents in the recent year, including various bonus, incentive pay, transportation expense, special allowance, various fringe benefits, dormitory, and company car. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.

Note 4: Fill in employee compensations (including shares and cash) for president and vice presidents approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.

Note 5: Disclose the total value of compensations for the company's president and vice presidents paid by all the companies (including the company) in the consolidated financial statement.

Note 6: Disclose the names of president and vice presidents of the company in the brackets for compensations paid by the company.

Note 7: Disclose the names of president and vice presidents of the company in the bracket for the total of compensations paid by all the companies (including the company) in the consolidated financial statement.

Note 8: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.

Note 9: a. Fill in in the column compensations for president and vice presidents paid by parent company invested companies other than the company's subsidiaries. (If there is none, please fill in "None")

b.If the company's president and vice presidents collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column E of compensation brackets and change the name of the column to " parent company and all the invested enterprises."

c.Compensations refer to rewards, pays (including pays for the positions of employee, director, and supervisor) and business execution fees paid by parent company or invested companies other than subsidiaries to the company's president and vice presidents for holding the latter's positions including directors, supervisors, or managers.

\*Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

### 3.Names of managerial staffers receiving payout of employee compensations and the status of the payout

Unit: NT\$1,000; December 31, 2022

	Title (note 1)	Name (note 1)	Stock Value	Cash value	Total (note 2)	Share of the total in after-tax net profit ( % )
Managerial staffers	President	Lee Ming-chang	0	9	9	0.000264
	Deputy Vice President	Lee, Jian-Kuan				
	Deputy Vice President	Chen, Kun-yuan				
	Financial chief (Chief Corporate Governance)	Cheng Hung-ning				
	Accounting chief	Lee Shu-ming				

Note 1: Disclose individual names and titles, along with payout of profits in summarized form.

Note 2: Fill in employee compensations (including shares and cash) for managerial staffers approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year. After-tax net profit refers to the figure of the recent year; for those having adopted IFRS (international financial reporting standards), the figure refers to the after-tax net profit in individual financial statement of the recent year.

Note 3: According to the definition of the Financial Supervisory Commission (decree 0920001301, March 27, 2003), the scope of managerial staffers includes

- (1) president and equivalent positions;
- (2) vice president and equivalent positions;
- (3) assistant vice president and equivalent positions;
- (4) financial chief;
- (5) accounting chief;
- (6) Other employees with management responsibility and signature right.

Note 4: If director, president, and vice president collects employee compensations (including shares and cash), fill in the above table, in addition to attached table 1-2.

(B)The company and all companies in the consolidated statements, in recent two years analysis of ratio of the total compensations for the company's directors, president, and vice presidents in after-tax net profits of Individual or individual financial report, and explain compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance.

1.Shares of the total compensation for the company's directors, president, and vice presidents paid by the company and all the companies in the consolidated financial statements in after-tax net profits in recent two years follow:

Unit: %

Year	The Parent Company		Companies in the consolidated financial statements	
	2022	2021	2022	2021
Directors	0.6507	1.5098	0.6510	1.5102
President and Vice Presidents	0.4986	0.5753	0.4986	0.5753

Explanation: The decrease of the ratio of total remuneration to Directors, President and Vice Presidents of the Company, to the net income resulted from the growth of profit after-tax in 2022, increased by 58.88% compared to 2021.

2.The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

A. Remuneration of the Company's Directors and managers is submitted to Remuneration Committee and Board of Directors for approval.

B.According to Articles 18 and 30 of the Association of FTC, the Board of Directors are authorized to determine the remuneration amount based on a Director's involvement in the Company's operations and his/her contribution values and in comparison with payments in other business of the same industry; in addition, if the Company is profitable in the year, it shall pay 0.05% to 0.5% of the pre-tax profit to the employees' remuneration in the current year.

C.The Company's Independent Directors and some directors receive a fixed amount of compensation monthly as well as reimbursement transportation expenses based on their actual attendance of the Board meetings. No varied remuneration is paid to Independent Directors and some directors. Other directors receive reimbursement for transportation expenses based on their actual attendance of the Board meetings. No other directors' remuneration is paid to Independent Directors and some directors.

D.The Company established the Audit Committee to replace the Board of Supervisors on June 23, 2017.

E. The President's, Vice President's, and Assistant Manager's compensations are handled in accordance with Articles 26 of the company's Articles of Incorporation and Articles 29 of the Company Act. In addition to fixed monthly salary, year-end bonuses, festival bonuses and special awards are also given subject to the company's operating conditions. Among them, special rewards are adjusted and issued with reference to the target achievement rate, operating results, industrial safety incidents, water and energy saving, etc. Fixed monthly salary is also adjusted by the Remuneration Committee in reference to the Company's overall employee salary adjustment standards.

## D. Operation of corporate governance

### (A) Operating status of the board of directors

The board of directors convened 6 times (A) in 2022, with the attendances of directors listed below:

Title	Name (note1)	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A) (note2)	Note
Chairman	Wong, Wen-yuan, FCFC	6	0	100	
Standing director (independent director)	Lin, Sheng-chung	6	0	100	
Independent director	Kuo, Nein-hsiung	6	0	100	
Independent director	Kuo, Chia-chi	6	0	100	
Director	Hong, Fu-yuan, FCFC	6	0	100	
Director	Lee, Ching Fen, FCFC	6	0	100	
Director	Lee, Ming-chang, FCFC.	6	0	100	
Director	Lee, Chien-Kuan, FCFC	6	0	100	
Director	Lee, Man-chun, Lai Shu-wang Foundation	6	0	100	
Director	Hsieh, Ming-der	5	0	83.33	
Director	Kai-Fu Co., Ltd. (Vacancy)	0	0	0	

Other items mandating record:

A. In case there is one of the following situations in the operation of the Board of Directors, specify the date of the meeting, term of the board of directors, contents of agenda, opinions of all the independent directors, and approach of the company in handling the opinions of the independent directors:

(A) Items listed in article 14-3 of Securities and Exchange Act: Not applicable

(B) Except the aforementioned items, resolutions of the board of directors with opposition, or reserved opinions, by any independent director: nil.

B. For abstention of cases by directors due to involvement of related interests, specify the names of directors, contents of agenda, reasons for abstention, and situation of voting:

(A) The second 2022 meeting of the board of directors on May 6

Names of director: Lee, Ming-chang, Lee, Chien-Kuan, Lin, Sheng-chung, Kuo, Nein-hsiung, Kuo, Chia-chi

Contents: Proposal to appoint directors, Lee, Ming-chang, and Lee, Chien-Kuan, and independent directors, Lin, Sheng-Chung, Kuo, Nein-Hsiung, and Kuo, Chia-Chi as members of the Sustainability Committee.

Reason for abstention: Lee, Ming-chang, and Lee, Chien-Kuan, and independent directors, Lin, Sheng-Chung, Kuo, Nein-Hsiung, and Kuo, Chia-Chi shall avoid due to the parties of the proposal.

situation of voting: All directors, except aforementioned directors and independent directors, agreed to pass the case.



C. Listed Companies shall disclose the information of self (or peer) assessment of the Board such as evaluation cycles, evaluation periods, scope, method, and the contents of evaluation.

Description : the situation of the evaluation of the Board of directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Method of Evaluation	Contents of Evaluation
Once per year	2021/10/01~ 2022/09/30	Board of directors	Self-assessment conducted by the members of board of directors	1.Participation in the operation of the company 2.Improvement of the quality of the board of directors' decision making. 3.Composition and structure of the board of directors. 4. Election and continuing education of the directors 5. Internal control.
Once per year	2021/10/01~ 2022/09/30	Members of board of directors	Self-assessment conducted by the members of board of directors	1. Alignment of the goals and missions of the company 2. Awareness of the duties of a director. 3. Participation in the operation of the company 4. Management of internal relationship and communication 5. The director's professionalism and continuing education 6. Internal control.
Once per year	2021/10/01~ 2022/09/30	Audit Committee	Self-assessment conducted by the committee members	1. Participation in the operation of the company 2. Awareness of the duties of the Audit committee; 3. Improvement of quality of decisions made by the Audit committee 4. Makeup of the Audit committee and election of its members 5. Internal Control
Once per year	2021/10/01~ 2022/09/30	Remuneration Committee	Self-assessment conducted by the committee members	1. Participation in the operation of the company 2. Awareness of the duties of the Remuneration committee 3. Improvement of quality of decisions made by the Remuneration committee 4. Makeup of the Remuneration committee and election of its members
Once per year	2021/10/01~ 2022/09/30	Sustainable Development Committee	Self-assessment conducted by the committee members	1. Participation in the operation of the company 2. Awareness of the duties of the Sustainable Development Committee 3. Improvement of quality of decisions made by the Sustainable Development Committee 4. Makeup of the Sustainable Development Committee and election of its members

Note: The company passed the resolution of the board of directors on May 6, 2022 to establish a sustainable development committee.

D. Evaluation of execution of objectives for strengthening the functions of the Board of Directors in the current year and the previous years:

- (A) The operation of the Company's board of directors abides by laws/regulations, corporate charter, and resolutions of shareholders' meeting. In addition to the professional knowledge, skills, and literacy related to their positions, all the directors adhere to the principle of loyalty and integrity in the execution of their duties, so as create maximum benefits for shareholders.
- (B) In order to establish a good system of governance for the Board of Director, as well as strengthen its supervisory and management functions, the Company, in addition to the selection of independent directors, has set up the norm for Board meetings, covering contents of agenda, operating procedure, items to be recorded in the minutes of meetings, official notices, and others.
- (C) In order to strengthen the functions of the Board of Directors, the Company, in addition to regular self-examination of the Board's operation, has had its in-house auditors produce monthly auditing report for independent directors' review before the end of the following month, in compliance with the requirements of the securities regulator.
- (D) In line with regulations of securities regulator, the Board of Directors resolved on August 25, 2011 to set up a compensation committee. Three meetings were convened in 2022 to report the standard for providing the year-end bonus of 2021 to the management, in addition, evaluate the compensations of 2022 for directors and managerial officers, and suggestions were proposed and discussed during the board of directors' meeting.
- (E) In line with the requirement of securities regulator, the Company's Board of Directors resolved on June 23, 2017 to set up an auditing committee to replace supervisors. Four meetings were convened in 2022 and resolutions were submitted to the Board of Directors for ratification to implement corporate governance.
- (F) The Board of Directors approved to set up Sustainable Development Committee on May 6, 2022 to realize the sustainable development goals of environment protection, social responsibility and corporate governance. One meeting was held in 2022, and the resolutions were submitted to the Board of Directors for ratification to implement corporate governance.
- (G) Establishing the KPI to improve the function and efficacy of the board of directors, the board of directors resolved to approve the Self-Evaluation of the Board of Directors on August 7, 2020. 1 internal assessment is carried out per year and report to the board of directors before the first quarter of next year. The evaluation report of Board of Directors was submitted on Dec. 9, 2022.

Note 1: In case director is a judicial person, specify its name and the name of its representatives.

Note 2: (1) In case there is any director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.

(2) In case there is reelection for the board of directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

Note 3: Representative of Keyford Development Co., Ltd., Hsieh, Shih-ming, passed away on January 10, 2022. The replacement was not submitted as of April 18, 2023.

(B) Operation of the auditing committee status

The auditing committee convened four times (A) in the year, as of Dec. 31, 2022, with the status of attendance of independent directors listed below:

Title	Name (note1)	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A) (note2)	Note
Convener	Lin, Sheng-chung	4	0	100	Independent Director
Member	Kuo, Nein-hsiung	4	0	100	Independent Director
Member	Kuo, Chia-chi	4	0	100	Independent Director

Other mentionable items:

- If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

Audit Committee Meeting Date & Sessions	Agenda and Procedures	Securities & Exchange Act, Article 14-5	Resolutions were not approved by the Audit Committee but were approved by two thirds or more of all directors
Mar.9, 2022 (1 <sup>st</sup> 2022)	1. Set forth 2022 financial statement of the Company.	✓	-
	2. To formulate the Company's Internal Control System Statement.	✓	-
	3. To amend the Procedures for Acquisition and Disposal of Assets.	✓	-
	4. Replacement of CPA auditing the Company's financial report.	✓	-
	Independent director's opinions or objections: None. Resolutions by audit committee: all attended committee approved these agendas. The Company's procedures: The Company's board of director approved these resolutions.		
May 6, 2022 (2 <sup>nd</sup> 2022)	1. To formulate the business report and financial statement for Q122.	-	-
	Independent director's opinions or objections: None. Resolutions by audit committee: all attended committee approved these agendas. The Company's procedures: The Company's board of director approved these resolutions.		
Aug 5, 2022 (3 <sup>rd</sup> 2022)	1. To formulate the business report and financial statement for Q222.	✓	-
	2. To amend "Internal Control Systems" and "Internal Audit Implementation Rules."	✓	-
	3. To invest additional US\$7,200,000 in Formosa Taffeta Dong Nai Co., Ltd.	✓	-
	Independent director's opinions or objections: None. Resolutions by audit committee: all attended committee approved these agendas. The Company's procedures: The Company's board of director approved these resolutions.		
Nov. 4, 2022 (4 <sup>th</sup> 2022)	1. To formulate the business report and financial statement for Q322.	-	-
	Independent director's opinions or objections: None. Resolutions by audit committee: all attended committee approved these agendas. The Company's procedures: The Company's board of director approved these resolutions.		

- For abstention of cases by independent directors due to involvement of related interests, specify the names of independent directors, contents of agenda, reasons for abstention, and situation of voting: nil.
- State of communications by independent directors with in-house auditing chief and certified public accountant (including major items for communications, such as corporate finance and business status, communications methods, and results):

- (1) State of communications by independent directors with certified public accountants:  
The company's auditing committee consists of all the independent directors and certified public accountant is invited to attend its meeting at least once a year, for report on the audited results of the company's finance and business and possible effect of legal revision on the company's accounting.
- (2) State of communications by independent directors with in-house auditing chief:
- Formulation and revision of the company's "internal-control system" and "enforcement rules for internal auditing" is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.
  - Evaluation of the effectiveness of the company's internal control system (with production of statement) is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.
  - The company's auditing office submits the monthly internal auditing report to independent directors for perusal.
  - Independent directors meet with in-house auditing chief at least once a quarter, for report and communications on the execution status of the company's internal auditing and the operation of internal control. In addition to the production of auditing report on flaws of internal control system and abnormal items discovered in inspection, such problems are recorded for follow-up tracking, to assure adoption of proper improvement measures by related units timely.
- (3) Communication matters and operation of Independent directors with accountants and in-house auditing chief.

Date	Occasions	Person	Items	Results
2022.03.09	Audit committee	CPA	Communications and explanation for auditing of 2021 financial statement	Good
2022.03.09	Audit committee	Internal audit officer	Production of 2021 statement on internal control system	Submission to the board of directors for resolution
2022.03.09	Board of directors	Internal audit officer	The operation of internal control report from November to December, 2021.	Acknowledgement
2022.03.09	Board of directors	Internal audit officer	Production of 2021 statement on internal control system	Acknowledgement
2022.05.06	Board of directors	Internal audit officer	Operation of the internal control of Q122	Acknowledgement
2022.06.24	Board of directors	Internal audit officer	Improvement of objections and abnormal events occurred on internal control system in 2021	Acknowledgement
2022.06.24	Forum	CPA Internal audit officer	Review of Q122 Consolidated Financial Report Operation of the internal control from Jan to May, 2022	Acknowledgement
2022.08.05	Audit committee	Internal audit officer	Amendments to "Internal Control System" and "Internal audit implementation rules" of the operation of stock affairs	Submission to the board of directors for resolution
2022.08.05	Board of directors	Internal audit officer	Report on the execution of the auditing plan for Q222	Acknowledgement
2022.08.05	Board of directors	Internal audit officer	Amendments to "Internal Control System" and "Internal	All attendee approved.

			audit implementation rules” of the operation of stock affairs	
2022.11.04	Board of directors	Internal audit officer	Report on the execution of the auditing plan for Q322	Acknowledgement
2022.12.09	Board of directors	Internal audit officer	Report on the execution of the auditing plan for Oct., 2022	Acknowledgement
2022.12.09	Board of directors	Internal audit officer	Formulation of 2023 auditing plan	Approval by the board of directors

(4) Annual work priorities and operational conditions:

1. The Company’s Audit Committee is composed of 3 Independent Directors. A total of 4 meetings were held in 2022. The discussion proposals and status of follow-up addressing refer to “1. resolutions of the Audit Committee and the Company’s response to the Audit Committee’s opinion” and the work highlights are as follows:

- a. Amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules."
- b. Assessment of the effectiveness of the internal control system.
- c. Rationality of matters in which a director is an interested party.
- d. Asset transactions of a material nature.
- e. Loans of funds, endorsements, or provision of guarantees of a material nature.
- f. Annual financial reports review.
- g. The offering, issuance, or private placement of any equity-type securities.
- h. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- i. The appointment or discharge of a financial, accounting, or internal auditing officer
- j. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
- k. Any other material matter so required by the company or the Competent Authority

(5) The Audit Committee will continue to assist the Board of Directors to supervise fair presentation of the financial reports, the hiring (and dismissal), independence, and performance of certificated public accountants, the effective implementation of the internal control system, compliance with relevant laws and regulations, management of the existing or potential risks of the Company in 2023.

Note:

- 1) In case there is any independent director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
- 2) In case there is reelection for independent directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing post of independent directors and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

(C) Operating status of corporate governance and difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reason

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
A. Does the Company establish and disclose the Corporate Governance Best Principles based on "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies"?	V		The company's board of directors approved the Company's corporate governance principles on Nov. 7, 2014 and posted the contents on the information declaration website designated by the securities regulator and the Company's website <a href="http://www.ftc.com.tw/newftc/governanceop.php">http://www.ftc.com.tw/newftc/governanceop.php</a> for public disclosure.	Compliance with articles 1 - 2 of "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies." Despite some revisions to accommodate the Company's actual situation, the Company's corporate governance principles are in line in spirit with "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies."
B. shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		1.1 The Company has an internal operating procedure for handling shareholder matters and has set up a spokesperson to address shareholder suggestions or concerns at any time. In addition, each functional team in the President Office fully supported the above matters, and have an in-depth understanding and review of the shareholders' suggestions or concerns. After that, an oral or written reply to the satisfaction of the shareholders is proposed. 1.2 As for internal operation in handling stakeholders' affairs, the Company details ways for upholding stakeholders' interests in chapter 2 of the Company's corporate governance best-practice principles.	Compliance with article 13 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those	V		2. The Company shall pay attention to the situation of any increase, decrease or use as collateral in the shares of shareholders holding more than 5% of shares and holding Director or manager positions, and has disclosed the	Compliance with article 19 of "Corporate Governance Best Practice Principles for

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
shares?			information of shareholders holding more than 5% of shares in the quarterly financial report. The Directors, managers and shareholders holding more than 10% of the shares are disclosed monthly by the information reporting website designated by the securities authority.	TWSE/TPEX Listed Companies"
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		<p>3.1 Both the Company and its subsidiaries implement profit center management. Each company's personnel, property management rights and responsibilities are clearly divided, and there are no irregular transactions.</p> <p>3.2 The funds and loans of the Company and its related companies are calculated based on the accrued market interest rate. The amount of loan is reassessed every quarter based on business needs. Guaranteed coverage and limits have also been set for endorsement guarantees for other companies.</p> <p>3.3 To reduce losses, comprehensive risk assessment for banks, customers, and suppliers are performed. Each company credit authorization to the same customer and stop payment to the same supplier can be review through the computer system.</p> <p>3.4 The relationship between the Company and the related companies, such as transaction management, endorsement, loans, etc., are monitored. In accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", outlined by the Financial supervisory Commission, the Company has set up supervision and management operations to implement the risk control mechanism for its subsidiaries.</p>	Compliance with articles 14 -17 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		<p>4. The company has formulated "Working rules" and "Guidelines for Prevention of Insider Trading" (access website: <a href="http://www.ftc.com.tw/newftc/internal_audit.php?id7">http://www.ftc.com.tw/newftc/internal_audit.php?id7</a>), which forbids company insiders to take advantage of undisclosed information in trading in securities for profit illegally, supplemented by timely education and promotion for employees to abide by the regulation.</p>	Compliance with article 10 - 3 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
C. Composition and Responsibilities of the board of directors				
(1) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		<p>1.1 The nomination and election of the Board of Directors of the Company complies with Code of Practice for Corporate Governance of the Company and adopted candidate nomination system. Besides the assessment of each candidate's education and experience, the Company takes stakeholders' opinions into consideration and complies with "Rules for Election of Directors of the Company" and "Corporate Governance Principle" to ensure the diversity and independency of the board members. Besides the knowledge, skills and literacy are necessary for the performance of the Board of Director. To achieve the goal purpose of the corporate governance, the overall abilities of the Board of Directors should include: 1. operational judgment, 2. accounting and financial analysis, 3. operation management, 4. risk management, 5. industrial knowledge, 6. perspectives of the international market, 7. leadership, 8. decision-making, etc. The Company's Directors come from diversified backgrounds.</p> <p>1.2 As of the end of April, 2023, 10 Directors are individuals with specialization and experience in industrial management, including 3 Independent Directors and 1 female Director. Independent directors account for 30%, and female directors account for 10% of all directors. The goal is for the independent directors to reach 33% and the directors with different industry experience or expertise to reach more than 50% of the entire board of directors. Please refer to Page 28 of this annual report for implementation of the Board members' diversification policy.</p>	Compliance with article 20 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(2) Does the Company is voluntarily establish other functional committees in addition to the Remuneration Committee and the Auditing Committee?		V	2. The company's board of directors resolved on Dec. 29, 2011 to establish compensation committee, followed by decision by shareholders' meeting on June 23, 2017 to institute auditing committee. On May 6 <sup>th</sup> , 2022, the Board approved to set up the sustainable development committee. Relevant regulations have been stipulated in articles 27-30 of chapter 3-3 of the	In compliance with Article 28 and Article 28-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Article 28-2 has not



Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			Company's corporate governance principles.	been met, since the Company is able to nominate suitable and appropriate Director candidates, and there is no operational need to set up a Nomination Committee.
(3) Does the Company establish a standard to measure the performance of the board of directors and carry out periodic review of such performance annually? Does the Company report the results of the performance evaluation to the board of directors and use the results as the reference for individual directors' remuneration and renewal.	V		3. The Company has formulated the "Self-Evaluation or Peer Evaluation of the Board of Directors" upon resolution from the Board of Directors on August 7, 2020. The performance evaluation for 2022 has also been completed, and the results of which have been submitted to the Board meeting convened on December 9, 2022. The preceding information could serve as references in determining remunerations, nomination, and re-election of the Company Directors.	In compliance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(4) Does the Company regularly evaluate the independence of certified public accountant periodically?	V		4. The Company evaluates the independence and competence of the Certified Public Accountants at least once a year by making reference to the audit quality indicators (AQIs) to formulate the structural indicators of assessment on the competence, audit quality control, independence, external supervision and innovation of the Certified Public Accountants. The CPA and the firm will be requested to fill out the assessment questionnaire, provide related information and certification for the General Management Divisions' evaluation. The recent year assessment result has been reported to the Audit Committee and Board of Directors on Mar 3, 2023.	Compliance with articles 29 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons																				
	Yes	No	Summarized explanation																					
D. Has the TWSE listed company been equipped with a qualified or appropriate number of corporate governance personnel, and designated the director of corporate governance to be responsible for corporate governance affairs (including but not limited to, providing Directors and Supervisors with the necessary information to perform business, assisting Directors and Supervisors in legal compliance, handling the relevant matters of the board of directors and shareholders' meetings pursuant to related laws, preparing the minutes of the board of directors and shareholders' meeting, etc.)	V		<p>D.1 The Company has set up a chief governance officer on May 3, 2019, which is the highest supervisor in charge of corporate governance related matters. Qualified personnel to handle corporate governance matters has been designated.</p> <p>D.2 The officer supervises General Management Divisions, which is responsible for corporate governance-related matters and is assisted by the relevant departments such as the Legal Affairs Office of the General Administrative Office, which includes handling Board of Directors and shareholders meetings, taking minutes of such meetings, assisting Directors come to office and continue training, providing Directors relevant information for operations, assisting Directors compliance with law and regulations, and so on.</p> <p>D.3 Chief Governance Officer Training Records in 2022:</p> <table border="1"> <thead> <tr> <th>Date of Training</th><th>Course</th><th>Organization</th><th colspan="2">Training Hours</th></tr> </thead> <tbody> <tr> <td>2022.11.17</td><td>2023 Economic Futures Institute</td><td>Securities and Futures Institute</td><td>3</td><td rowspan="4">12</td></tr> <tr> <td>2022.11.17</td><td>Real Value created by circular and low-carbon innovations-understainging circular economy and governance</td><td rowspan="3">Taiwan Coporate Governance Association</td><td>3</td></tr> <tr> <td>2022.11.23</td><td>Carbon Management Trends and Countermeasures towards Net-Zero</td><td>3</td></tr> <tr> <td>2022.11.23</td><td>International Order Variables and Corporate Governance Responses</td><td>3</td></tr> </tbody> </table>	Date of Training	Course	Organization	Training Hours		2022.11.17	2023 Economic Futures Institute	Securities and Futures Institute	3	12	2022.11.17	Real Value created by circular and low-carbon innovations-understainging circular economy and governance	Taiwan Coporate Governance Association	3	2022.11.23	Carbon Management Trends and Countermeasures towards Net-Zero	3	2022.11.23	International Order Variables and Corporate Governance Responses	3	Compliance with article 3-1 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
Date of Training	Course	Organization	Training Hours																					
2022.11.17	2023 Economic Futures Institute	Securities and Futures Institute	3	12																				
2022.11.17	Real Value created by circular and low-carbon innovations-understainging circular economy and governance	Taiwan Coporate Governance Association	3																					
2022.11.23	Carbon Management Trends and Countermeasures towards Net-Zero		3																					
2022.11.23	International Order Variables and Corporate Governance Responses		3																					
E. Does the Company has establish a communications channel and build a	V		E.1 The company has demands various related units in General Management Divisions to communicate with stakeholders according to their duties. A	Compliance with article 51 of																				

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
designated section on its website for stakeholders (including, but not limited to shareholders, employees, customers, and suppliers) as well as handle all the issues they care for in terms of corporate social responsibilities?			<p>spokesperson and a deputy spokesperson have been appointed as the external communication channel.</p> <p>E.2 The Company set up the stakeholder area on the Company website to provide detailed contact information for the dedicated personnel, including phone number and e-mail, as the channels for the stakeholders to communicate with the Company.</p> <p>E.3 The company responds to issues concerned by stakeholders timely via the following channels:</p> <ol style="list-style-type: none"> <li>1) Shareholders and investors: Shareholders' meetings are held annually and shareholders can fully exercise their voting rights through electronic means. In addition, the annual report of the shareholders' meeting, the monthly revenue and the quarterly self-closing profit and loss are issued to facilitate shareholders' understanding of the Company's operating conditions.</li> <li>2) Employees: mainly concerned with workplace safety, employee welfare, human rights protection, labor and employment issues, etc. Communication with employees can be conducted through labor-management committee, trade unions, factory (office) meetings, etc.</li> <li>3) Suppliers and contractors: The Company adheres to the principle of sustainable management and fair trade and is committed to working with manufacturers that comply with environmental protection, safety, and human rights standards. Open tenders are held through the platform, and regular briefings are held to strengthen two-way communication and advocacy. In addition, suppliers can ask questions on the platform, and the questions will be replied by personnel immediately. Also suppliers can ask questions via the website, and the questions will be replied by personnel immediately, to achieve the goals with good communications.</li> </ol>	"Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
F. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		V	<p>4) Customer: Issues including product quality and after-sales service that customers care about can be addressed through customer visits, participating in exhibitions, product briefings, customer satisfaction surveys, etc. The website also lists the sales service line and e-mail address. Customer complaints are handled through the "Customer Response Form" and the "Customer Complaint Handling Form."</p> <p>E.4 For communication with stakeholders, please refer to the Company's 2022 Sustainability Report - identification of stakeholders, concerned issues, communication channels and communication frequency.</p> <p>F. The Company's shareholders' meeting affairs are conducted on its own currently, but the relevant procedures are strictly planned and conducted in accordance with the relevant regulations by designated stock affairs unit, legal department and the President office, and have been evaluated by Taiwan Depository &amp; Clearing Corporation, a designated institution by the FSC, since 2022. All of the Company's recent evaluation results comply with regulation and ensure the shareholders' meeting can be convened legally, validly and safely and therefore able to protect shareholders' right.</p>	Although it does not meet the requirements of Article 7-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, it does not impair the operational efficiency of the shareholders' meeting.
G. Information Disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		G.1 The company has established corporate website in both Chinese and English, with website address at www.ftc.com.tw, and disclosed information on finance, business, and corporate governance on "special investor section" of the website.	Compliance with articles 57 and 59 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman	V		G.2 The Company has a spokesperson and a deputy spokesperson. A dedicated person has been appointed in the President Office to collect and disclose Company information, as well as providing the spokespersons and relevant business departments with answers to stakeholders, investors, and authorities.	In compliance with Article 55 paragraph 3 and Article 56 and Article 58 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
<p>system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed deadline?</p>		V	<p>G.3 In principle, the Company announces and declares the operating revenue of the previous month on the 6th of each month (postponed every holiday). The Company also submits and announces financial reports before the deadline in accordance with laws and regulations. Financial Reports of first three quarters of financial year are approved before seven days by the board of directors and declared. Although the verification process of CPA may lead to the delay of announcement of financial report within two months after the end of the fiscal year, the Company still upload and declare the financial report before 75 days after the end of the fiscal year in compliant with “Corporate Governance 3.0 -Sustainable Development Roadmap.”</p>	
<p>H. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g. including, but not limited to, employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors, training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policy, and purchasing insurance for directors and supervisors).</p>	V		<p>H. People can understand the Company's various corporate-governance operations directly by accessing the Market Observation Post System (<a href="http://mops.twse.com.tw/">http://mops.twse.com.tw/</a>) and the special corporate-governance section on the Company's website (<a href="http://www.ftc.com.tw/newftc/governanceop.php">http://www.ftc.com.tw/newftc/governanceop.php</a>). Corporate governance -related inquiry can also be made with the Company's spokesperson, chiefs of related units, and the Company's labor union, with other key information described briefly in the following:</p> <p>1) Employee rights and interests: In order to seek a harmonious labor-management relationship and encourage employees expressing their opinions, the government has established various channels for employees to put forth their opinions, including physical opinion boxes and online opinion box on the Company's website, with designated staffers responsible for understanding and responding to the opinions. To remove blockade to opinion expression, the Company has set up whistle-blower management and protection system, in addition to</p>	<p>In compliance with Articles 51 to Articles 54 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>formulate measures for reporting by employees. Moreover, the Company has held labor- management meetings regularly, wherein chiefs of related units would discuss with labor representatives to understand the stand of labor union on major labor-management issues. Ranking officials also talk with union representatives, for attaining consensus on major labor- management issues, so as to assure harmonious labor-management relationship and the Company's sustainable development.</p> <p>2) Care for employees: In order to help employees maintain physical and mental health, the Company appropriates budget for arranging physical examination for employees annually, which covers more than mandatory checkup items. The company has maintained employee restaurant, whose operation is subject strict regulations on hygiene and nutrition, covering sources of foodstuff, storage of foodstuff, water, edible oil, and cleanness of service staffers and kitchen. In addition, the Company builds dormitories, basketball courts in the leisure life area, etc. to provide employees with a high-quality accommodation environment, and sets up special counseling personnel to hold regularly employee visits and seminars, to better understand the employees' status in adapting company. Colleagues are able to immediately consult and negotiate with the counseling personnel when they face difficulties in work or life. For related measures, please refer to E. E. Labor-management relationship of Business Status of Chapter V of the annual report.</p> <p>3) Investor relations : The Company uses the President Office and the shareholding department as a bridge between the Company and its shareholders. In terms of corporate information transparency, the Company's website has an "Investor Relations Section" to provide investors with relevant information. In order to maintain a good relationship with investors, the Company has set up a spokesperson</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>system to provide a means of contact with shareholders and corporate investment institutions, also participating in two online investment forums held by domestic and foreign brokerage firms.</p> <p>4) Supplier relationship: The company's has set up a mechanism for procurement via open bidding, in order to create a platform for fair competition and seek excellent suppliers capable of providing equipment, materials, engineering works, or services at adequate quality and quantity, so as to meet the needs of various units for expansion or operation.</p> <p>4.1 Open and fair procurement mechanism via open bidding: The company carries out procurement and outsourcing via open bidding, accepting bids from prospective suppliers via the Internet, mail, and fax, with all information is strictly controlled according to the chip card certificate. All bids for procurement projects via open bidding are evaluated according the bidders' management concept of sustainability, ethics and integrity, and optimal quotes, in addition to conformance to the Company's business needs, in terms of quality, delivery, and environmental protection and safety.</p> <p>4.2 Sound supplier management: To assure the quality and delivery of materials, as well as quality and progress of engineering works, the Company has put in place a sound supplier management system, featuring regular evaluation and irregular inspection, in addition to seeking suppliers with good track record in environment protection, in line with the policy of the Environmental Protection Administration pushing green procurement, so as to materialize the policies of energy conversion, energy conservation, carbon abatement, and green consumption.</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons																		
	Yes	No	Summarized explanation																			
		V	<div>5) Rights of stakeholders: In line with the Sustainable Development Goal indicators of the UN, the Company has been seeking attainment of good business performance, striving to fulfill the mission of "care for employees, service to customers, and giveback for shareholders," as a result of which the Company bears the responsibility of taking good care of shareholders, customers, suppliers, employees, and the society. The company has to abide by legal requirements and business ethics and norms, and connect with the world for stronger competitiveness, so as to create benefits for shareholders, assure stable supply of quality products at reasonable prices conforming to the conditions of safety, hygiene, and environment-friendliness. Moreover, the Company has strived to become a friend of the environment, develop in the direction of ecological industrial zone, push green industry and green procurement of energy and materials, address various social issues, following the campaign of international organizations, and take part in communal and social public services, so as to fulfill its social responsibilities.</div> <div>6) Director Training Records :</div> <table><tr><th>Title</th><th>Name</th><th>Date of Training</th><th>Organization</th><th>Course</th><th>Training hours</th></tr><tr><td>Chairman Director "</td><td>Wong Wen-yuan Hong Fu-yuan Lee, Ching-Fen</td><td>Nov. 17, 2022</td><td>Securities and Futures Institute</td><td>2023 Economic Futures Institute</td><td>3</td></tr><tr><td>Chairman Director "</td><td>Wong Wen-yuan Hong Fu-yuan Lee, Ching-Fen</td><td>Nov. 17, 2022</td><td>Taiwan Coporate Governance Association</td><td>Real Value created by circular and low-carbon innovations- understainging</td><td>3</td></tr></table>	Title	Name	Date of Training	Organization	Course	Training hours	Chairman Director "	Wong Wen-yuan Hong Fu-yuan Lee, Ching-Fen	Nov. 17, 2022	Securities and Futures Institute	2023 Economic Futures Institute	3	Chairman Director "	Wong Wen-yuan Hong Fu-yuan Lee, Ching-Fen	Nov. 17, 2022	Taiwan Coporate Governance Association	Real Value created by circular and low-carbon innovations- understainging	3	In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Title	Name	Date of Training	Organization	Course	Training hours																	
Chairman Director "	Wong Wen-yuan Hong Fu-yuan Lee, Ching-Fen	Nov. 17, 2022	Securities and Futures Institute	2023 Economic Futures Institute	3																	
Chairman Director "	Wong Wen-yuan Hong Fu-yuan Lee, Ching-Fen	Nov. 17, 2022	Taiwan Coporate Governance Association	Real Value created by circular and low-carbon innovations- understainging	3																	



Evaluation items	Status of operation (note)						Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons		
	Yes	No	Summarized explanation						
		V					circular economy and governance		In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
			Independent Director	Lin, Sheng-chung	Nov. 23, 2022	Taiwan Corporate Governance Association	Carbon Management Trends and Countermeasures towards Net-Zero	3	
			"	Kuo, Nein-hsiung					
			"	Kuo, Chia-chi					
			Director	Lee, Ming-chang			International Order Variables and Corporate Governance Responses	3	
			"	Lee,Chien-kuan					
			"	Lee,Man-chun					
			"	Hsieh, Ming-der					
			Note: Training hours of all directors reach 6 hours.						
			7) Taking out of liabilities insurance by the Company for directors and supervisors: The company has taken out liabilities insurance for all directors and supervisors, with the total insured amount reaching US\$7 million.						
8) Status of execution of risk-management policy and risk evaluation standard: 8.1 Risk management policy and performance: The Company established risk management policies to identify, evaluate, supervise and control risk from every aspect, enhance the sense of awareness of employees and make sure all potential risks that might happen are endurable, thus, can the Company execute the optimal strategy to rationalize the balance between profits and risks, please refer to page 168~172 of the annual report for further disclosure of risk management policies of the Company.									

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>8.2 The Board is the highest decision-making and monitoring unit of the risk management and is responsible for overseeing the execution and mechanism of risk management system. The company has instituted internal auditing office, reviewing irregularly efficacy and propriety of various risk-hedging trading and producing auditing reports for submission to the board of directors regularly, for continuing tracking and improvement.</p> <p>9) Status of the execution of customer policy: As customers are the cornerstone for the survival and continuation of enterprise, it is essential to provide products and services needed by customers in a quick manner, so as to attain a stable relationship based on honesty and trust for mutual benefits and prosperity.</p> <p>9.1 Forging a stable supply-demand relationship: Given the critical relationship with customers for mutual survival and prosperity, a key task for any enterprise in its quest for sustainable development is to forge a stable supply-demand relationship with customers. With an eye on long-term industrial development and in line with customers' global marketing, the Company has forged a longstanding good cooperative relationship with customers, based on integrity-oriented trading, reasonable pricing, stable supply and demand, realizing mutual benefits and prosperity.</p> <p>9.2 Enhance competitiveness of medium- and downstream customers: Only via sharing of growth benefits with medium- and downstream customers can an enterprise attain sustainable development. The company's R&amp;D center would discuss with medium- and downstream branded customers for formulating a win-win strategy before development of new products, not only facilitating pushing of new products but also augmenting customers' competitiveness.</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>9.3 Resort to e-commerce to cut cost and raise efficiency: In order the raise the efficiency of customer services, the Company has established a corporate website, online customer service system, and online marketing system, enabling customers to access in real time product information, progress of production for orders, inspection report, warehousing and shipment status. Also in place are rear-end systems, including project customer performance evaluation system, forecast and tracking system for customer orders, and product inspection system, so as to enhance the service standard and the extent of customer satisfaction, as well as reduce operational errors and cost.</p> <p>9.4 Materialization of K.P.I benefits: In response to the demands of customers, the Company has embraced and actively implemented KPI (key performance indicators) system, including first pass yield rate at one try and punctual delivery rate.</p>	

H. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

1. The Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. published the results of the seventh annual corporate governance evaluation of 2022. The company is listed in the 6% to 20% of listed companies. The countermeasures for the priority improvement of the Company's un-scored matters in the sixth corporate governance evaluation are described below:

Category	Evaluation Indicator	Improvement Status
Items Improved	1. Has the Company's annual report disclosed the link between Directors' and managers' performance evaluation and compensation?	The Company has disclosed the performance evaluation in connection with directors and manager's remuneration in the annual report.
	2. Has the Company set up functional committees other than those required by the law, comprising no less than three members each, with more than half the members being Independent Directors, as well as disclosed the composition, duties, and operations of these committees?	The Board has approved to set up the sustainable development committee on May 6, 2022, consisting with three independent directors and two directors to review the policy, strategy, and guidelines of sustainable development, oversee the promotion and execution of sustainability-related projects of the Company.
Improvement Set as a Priority	1. Has the Company held the Shareholders' Meeting by the end of May?	The Company will review the possibility to hold the Shareholders' meeting by May.
	2. Has the Company established the framework of information security risk management, formulated the information security policy, specific projects and resources, and disclosed the execution in the website or annual report?	1. The Company has met the basic requirement. 2. The Company strives to introduce ISO 27001 information security management system and obtain the third verification to earn the bonus.

Note: Whether checking yes or no for operating status, make description in the column of summarized explanation.

(D) Disclosure of information on directors' professional qualifications and independence of independent directors:

1. Information on members of remuneration committee

April 18, 2023

Capacity (Note 1)	Criteria		Independence analysis (Note 3)	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name	Professional qualifications and experience (Note 2)		
Independent Director (Convenor)	Lin, sheng-chung	Independent Director, Lin, Sheng-Chung, with a wealth of experience and business management, acts as the member of the remuneration committee since June, 2020. For further information of his professional qualification please refer to "Director- Director Data."	Please refer to "Director-Director Data" for further information of independence analysis.	3
Independent Director	Kuo, Nein-Hsiung	Independent Director, Kuo, Nein-Hsiung, with a wealth of industrial knowledge and business management, acts as the member of the remuneration committee since June, 2020. For further information of his professional qualification please refer to "Director- Director Data."		0
Independent Director	Kuo Chia-chi	Independent Director, Kuo Chia-chi, with a wealth of industrial knowledge and business management, acts as the member of the remuneration committee since June, 2020. For further information of her professional qualification please refer to "Director- Director Data."		1

Note 1: Please state the relevant working experience, professional qualifications, experience, and independence of each member of the Remuneration Committee in the table. Where a member is an independent director, a separate note may be added to refer to relevant information in Attachment One on Page XX, "Information on Directors and Supervisors (I)". Please specify a person's identity as an independent director or others in the identity column (please indicate in a note where the person is a convener).

Note 2: Professional qualifications and experience: please describe individual Remuneration Committee members' professional qualifications and experience.

Note 3: Compliance with independence standards: please state that Remuneration Committee members are in compliance with independence standards, including, but not limited to, whether himself/herself, his/her spouse, and any relative within the second degree of kinship is a director, supervisor, or employee of the Company or its affiliates; the number and proportion of shares held by himself/herself, his/her spouse, and any relative within the second degree of kinship (or in the name of others); whether he/she is a director, supervisor, or employee of a

company in a specific relationship with the Company (refer to Article 6-1, paragraph 5 to paragraph 8 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount of remuneration obtained for providing commercial service, legal service, financial service, accounting service, and other services to the Company or its affiliates in last two years.

Note 4: For disclosure methods, please refer to the example of best practices on Corporate Governance Center of Taiwan Stock Exchange website.

## 2. Information on the operation of the remuneration committee

(1)The company's remuneration committee consists of three members.

(2)Term of the members of the current committee: From June 19, 2020 through June 18, 2023, with the qualifications of the members and their attendance in the four meetings (A) in the recent year listed below:

Title	Name	Times of attendance (B)	Times of attendance via proxy	Attendance rate (%) (B/A) (note)	Note
Convener	Lin, Sheng-chung	3	0	100	
Member	Kuo, Nein-hsiung	3	0	100	
Member	Kuo Chia-chi	3	0	100	

Status of operation:

A. The company's board of directors resolved on Aug. 25, 2011 to set up the remuneration committee.

B. The committee convened three times in 2022.

Other items mandating record:

A. In case of rejecting or revising the suggestions by the remuneration committee, the board of directors should specify the date of the board meeting, the term of the board, contents of agenda, resolutions of the board meeting, and handling of the opinions of the remuneration committee (should the level of remunerations passed by the board of directors be higher than that suggested by the remuneration committee, the extent of difference and reasons should be specified): nil

B. In case there is any member opposing or having reservation for the resolutions of the remuneration committee, on record or in written form, the committee should specify the date of the meeting, the term of the committee, contents of agenda, opinions of all the members, and handling of the contrarian opinion:

Meeting of Remuneration Committee Date and term	Proposal content, opinions of all members and company processing results
January 14,2022 (first meeting in 2022)	1. The year-end bonus of 2021 of managers were compared with the standard report of the year-end bonus distribution of all employees, which was calculated according to the Company's "year-end bonus and remuneration distribution method," reviewed by the Remuneration Committee. It is expected to be issued on January 20, 2022. Resolution results of the remuneration committee: Acknowledgement. The Company's treatment of the remuneration committee's opinion: None.
March 9,2022 (second meeting in 2022)	1. Propose to prepare the 2021 Remuneration of Directors, please make resolution. Resolution results of the remuneration committee: all members present

	approved and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal, which was submitted to the 2022 Annual Meeting of Shareholders to report.
August 5, 2022 (third meeting in 2022)	1. Propose to discuss the 2022 annual salary of the managers adjusts in line with the all employees' compensation. Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal.

Note:

1. In case there is any member of the remuneration committee leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
2. In case there is reelection for the remuneration committee by the end of the year, information on both original and new members should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
3. The Company's Remuneration Committee consists of three independent directors appointed by the resolution of the Board of Directors. Convener is selected among the members. Term of office is the same as the Board of Directors. Three meetings were convened in 2020 to set up the remuneration of the current chairman and vice chairman, monthly salary of managers, year-end bonus etc. and submitted to the Board of Directors for ratification.
4. The Company has stipulated the "Organization Regulations of the Remuneration Committee". The Committee shall perform the following duties faithfully with the care as a good manager, and submit the recommendations to the Board of Directors for discussion:
  - (1) Regularly review this Regulation and propose amendments.
  - (2) Formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration.
- (3) Regularly evaluate and determine the remuneration of directors and managers. °

(E) Attendance of Members at Sustainable Development Committees Meetings:

1. Component and professional qualifications ability of Sustainable Development Committee:

The Sustainable Development Committee of the Company is constituted by five members. Their term of office is from May 6, 2022 to June 18, 2023. The each member of this Committee with the related professional background and experience is as below table:

Title	Name	Professional Background and Experience								
		Industrial Safety	Environment Protection	Circular Economy	Social Participation	Corporate Governance	Legal Compliance	Risk Management	Green finance	R&D and Innovations
Convener	Lee, Ming-chang	V	V	V	V	V	V	V	V	V
Member	Lee, Chien-kuan	V	V	V	V	V	V	V	V	V
Member	Lin, Sheng-chung	V	V	V	V	V	V	V	V	V
Member	Kuo, Nein-hsiung	V	V	V	V	V	V	V	V	V
Member	Kuo, Chia-chi			V	V	V	V	V	V	V

2. Sustainable Development Committee Meeting Status

(1) Duty of Sustainable Development Committee

I. Reviewing the sustainable development policies, strategies, and managerial rules of the Company.

II. Supervising the matters of sustainable development promotion and implementation cases.

III. Reviewing the material sustainable development information including ESG report and reporting to the board of directors.

IV. Supervising the greenhouse gas inventory and verification plans.

V. Supervising the Company to care the material issues concerned by stockholders, employees, customers, community, and government.

VI. Other matters instructed by the resolution of the board of directors.

(2) A total of 1 (A) Remuneration Committee meetings were held in the previous period, the attendance record was as follows:

Title	Name	Times of attendance (B)	Times of attendance via proxy	Attendance rate (%) (B/A) (note 1 and 2)	Note
Convener	Lee, Ming-chang	1	0	100	
Member	Lee, Chien-kuan	1	0	100	
Member	Lin, Sheng-chung	1	0	100	
Member	Kuo, Nein-hsiung	1	0	100	
Member	Kuo, Chia-chi	1	0	100	

Note 1: If there is a sustainable development committee member leaving the company before the end



of the year, the date of departure should be indicated in the note column. The actual attendance rate (%) is calculated based on the number of meetings of the sustainable development committee during the term of office and their actual attendance.

Note 2: Before the end of the year, if there are reelected sustainable development committee member, the new and outgoing members should be filled in, and the note should indicate that the members are new or outgoing, and reelection date. The actual attendance rate (%) is calculated based on the number of meetings of the sustainable development committee during the term of office and their actual attendance.

- (3) In case there is any member opposing or having reservation for the resolutions of the sustainable development committee, on record or in written form, the committee should specify the date of the meeting, the term of the committee, contents of agenda, opinions of all the members, and handling of the contrarian opinion:

Sustainable Development committee Date & Sessions	Agenda, Procedures and Resolution
2022.06.13 (1st, 2022)	<p>1.Proposal: To formulate 2021 Sustainability report.</p> <p>2.Sustainable Development Committee Resolution: The above proposal was approved by all attendants and submitted to the Board of Directors for report.</p> <p>3.The Company's handling of the opinions of the Sustainable Development Committee: Acknowledged.</p>

(F) Fulfillment of Social Responsibilities and Deviations from the “ Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” :

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
1. Does the Company establish a governance structure to promote sustainable development as well as an exclusively (or concurrently) dedicated unit to implement sustainable development and have management appointed by the Board of Directors to be in charge of sustainable development and to report the implementation status to the Board of Directors?	V		<p>1.1 To promote Corporate Sustainability, the president, Lee, Ming-Chang, has been appointed as the general convener and the vice president of each business sector as vice convener. President Office, safety and health department, accounting department, and other units form “The Sustainability Team” which is dedicated to the implementation of corporate sustainability and a meeting is held each month to report the operation of each project to the President.</p> <p>1.2 Uphold the philosophy of "giving back what is taken from the society," the Company dedicates to the sustainable development in the aspect of “Environment Protection,” “Social Responsibility,” and “Corporate Governance,” as well as set up key performance indicators for the three aspects and keep improving.</p> <p>1.3 The Company assesses the risk of environmental, social, and governance issues based on the influences on the stakeholders, and establish effective risk management policy to avoid and reduce the loss.</p> <p>1.4 Additionally, the Company will review the establishment of a sustainability committee under the Board of Directors in 2022 to strengthen the implementation of the supervision mechanism for promoting sustainable development. In 2022, a total of 1 meeting was held, and the operation for promoting the sustainable development goals was reported to the Board on June 24, 2022.</p>	In compliance with the Article 9 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons								
	Yes	No	Summary(Note2)									
2.Does the Company conduct risk assessment in regards to environmental, social, and governance topics related to company operations in accordance with the materiality principle, and establish relevant risk management policy or strategy? (Note 2)	V		<div>The President's office of the Company, together with the departments of the management headquarters, assesses the risk impacts of material issues affecting the operation of the Company according to the degree of impact on stakeholders, and sets the risk management policies that can effectively identify, measure, evaluate, and monitor risks. The purpose is to prevent future risks and reduce the impact and damage.</div> <div>1.Environmental issues:</div> <table><tr><th>Evaluation Item</th><th>Risk Management Plan</th></tr><tr><td>Climate Change</td><td>Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change. Additionally, TCFD report was issued.</td></tr><tr><td>Water Resources Management</td><td><div>1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use.</div><div>2. Improve the technology and wastewater treatment recycling rate to lower the water consumption.</div></td></tr><tr><td>Greenhouse Gas Emissions</td><td><div>1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.</div><div>2. Invest in the development of green products, improve product weather ability and reusability, reduce carbon emissions generated during production processes, and extend product life cycle.</div><div>3. Conduct carbon footprint inventories to set short, medium, and long-term carbon emission targets as well as apply for carbon offsets in response to legal impacts.</div></td></tr></table>	Evaluation Item	Risk Management Plan	Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change. Additionally, TCFD report was issued.	Water Resources Management	<div>1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use.</div> <div>2. Improve the technology and wastewater treatment recycling rate to lower the water consumption.</div>	Greenhouse Gas Emissions	<div>1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.</div> <div>2. Invest in the development of green products, improve product weather ability and reusability, reduce carbon emissions generated during production processes, and extend product life cycle.</div> <div>3. Conduct carbon footprint inventories to set short, medium, and long-term carbon emission targets as well as apply for carbon offsets in response to legal impacts.</div>	In compliance with the Article 3 paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
Evaluation Item	Risk Management Plan											
Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change. Additionally, TCFD report was issued.											
Water Resources Management	<div>1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use.</div> <div>2. Improve the technology and wastewater treatment recycling rate to lower the water consumption.</div>											
Greenhouse Gas Emissions	<div>1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.</div> <div>2. Invest in the development of green products, improve product weather ability and reusability, reduce carbon emissions generated during production processes, and extend product life cycle.</div> <div>3. Conduct carbon footprint inventories to set short, medium, and long-term carbon emission targets as well as apply for carbon offsets in response to legal impacts.</div>											

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<div>Energy Management</div> <ol style="list-style-type: none"> <li>1. Introduce energy-saving and high-performance equipment as well as set up energy-saving goals to continue to reduce the power usage per product unit.</li> <li>2. Implement energy conservation and improvement measures, including reducing energy consumption during production processes, energy reuse, waste heat reuse, improving equipment efficiency, and energy management.</li> </ol>	
			<div>Air Pollutant Management</div> <ol style="list-style-type: none"> <li>1. Replace thermal oil boilers with natural gas boilers to reduce the emissions of GHG and air pollutants, while the efficiency of the boilers has also increased accordingly.</li> <li>2. Strengthen the control and improvements over leakages of facility components and strengthen the monitor of air quality.</li> <li>3. Adopt even higher standards in the supervision and management of the plant environments, and install additional air pollution prevention equipment to reduce the discharge of pollutants.</li> </ol>	
			<div>Green Energy</div> <ol style="list-style-type: none"> <li>1. Install solar power panels on plants in Taiwan, China, and Vietnam to reduce carbon emissions.</li> <li>2. Devote to “Carbon reduction, Green Program” to establish sustainability environment.</li> </ol>	
			<div>Waste Management</div> <ol style="list-style-type: none"> <li>1. Follow the principles of source management, processing waste reduction and recycling and reuse to minimize waste generation and to maximize resource recovery.</li> <li>2. Be in line with applicable laws by implementing the qualification review and management of waste treatment vendors to ensure the proper treatment of waste for</li> </ol>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons	
	Yes	No	Summary(Note2)		
				reducing the impacts on the environment.	
			3.	Uphold the philosophy of circular economy, cross-plant and cross-office energy and resource integrations to achieve "zero waste" goals.	
			2.Social issues:		
			Evaluation Item	Risk Management Plan	
			Human Rights	The President, Lee, Ming-Chang has signed a human rights policy that ensures compliance with international human rights standards and the local labor laws at the Company’s global operational sites. The Company is committed to equal employment and to creating a work environment free from prejudice and harassment. At the same time, personal privacy is respected and diverse communication channels for employment relations and grievances mechanisms have been formulated to ensure the rights of our workers.	
			Talent Recruitment and Development	1. Actively participate in campus placements, offer internship programs, and collaborate with universities and colleges through a variety of open recruitment channels to improve the efficiency of recruitment.  2. Provide steady and competitive compensations and benefits and plan comprehensive personnel training.to encourage employees to acquire certificates or professional qualifications, and offer reasonable and smooth promotional channels for outstanding employees.	
Occupational Safety and Health	1.	Build a safe and healthy work environment and implement hazard identification and risk evaluations at appropriate times and carry out risk mitigation measures and emergency response drills to reduce employees' occupational risks.			

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons	
	Yes	No	Summary(Note2)		
			<div><div></div><div>2. Continue to offer special health checkups to operators exposed to elevated risks, and implement tiered health management and follow-up based on the results.</div><div>3. Care for employees' dietary and nutritional needs and health, and promote relevant courses and activities to build a healthy work environment.</div><div>4. Plan comprehensive response and protective measures against diseases to achieve both employee's well-being and uninterrupted operations.</div></div>		
			<div>Social Engagement and Contributions</div> <div>Uphold the philosophy of "giving back what is taken from the society," to dedicate to contributing to the society and fulfilling social responsibilities and encourage employees to actively participate and promote various community events to strengthen interactions with the local residents.</div>		
			3. Governance issues:		
			Evaluation Item		Risk Management Plan
			Board Duties and Functions Strengthening		To formulate the diversified directors policy, plan director's training programs, and provide directors the latest regulations and the information such as ESG trends, industry development, or policy, etc; additionally, to acquire directors and supervisors liability insurance.
			Strategic Operations		To achieve the goal of sustainable operations, the Company continues to develop high-value and differentiated products. Long-term contracts are signed with customers and suppliers to maintain fair supply-demand relations. Additionally, the Company continues to improve processes and to enhance competitiveness to reduce operating risks.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons				
	Yes	No	Summary(Note2)					
			<table><tr><td>Ethical Business Conduct</td><td>Various regulations concerning ethical conduct are stipulated and governance and risk control mechanism are instilled. To implement ethical corporate management in practice, the risks of unethical conduct are immediately evaluated and preventive measures are established accordingly.</td></tr><tr><td>Legal Compliance</td><td>The Company maintains rigorous requirements over legal compliance during business activities, and stays informed and responds to changes in policies and laws on a timely basis. Additionally, a dedicated Legal Department has been established, and standardized contract samples have been drawn up. Legal compliance training is also conducted to reduce legal risks.</td></tr></table>	Ethical Business Conduct	Various regulations concerning ethical conduct are stipulated and governance and risk control mechanism are instilled. To implement ethical corporate management in practice, the risks of unethical conduct are immediately evaluated and preventive measures are established accordingly.	Legal Compliance	The Company maintains rigorous requirements over legal compliance during business activities, and stays informed and responds to changes in policies and laws on a timely basis. Additionally, a dedicated Legal Department has been established, and standardized contract samples have been drawn up. Legal compliance training is also conducted to reduce legal risks.	
Ethical Business Conduct	Various regulations concerning ethical conduct are stipulated and governance and risk control mechanism are instilled. To implement ethical corporate management in practice, the risks of unethical conduct are immediately evaluated and preventive measures are established accordingly.							
Legal Compliance	The Company maintains rigorous requirements over legal compliance during business activities, and stays informed and responds to changes in policies and laws on a timely basis. Additionally, a dedicated Legal Department has been established, and standardized contract samples have been drawn up. Legal compliance training is also conducted to reduce legal risks.							
3. Environmental issues (1) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	V		1.1 The Company formulated the administrative standards for security and health management, management information systems, office automation systems in accordance with the environmental protection laws and regulations formulated by the Environmental Protection Administration (such as the Air Pollution Control Act, the Water Pollution Control Law, the Waste Disposal Act and the Toxic and Concerned Chemical Substances Control Act, etc.), and strengthened the management of the security zone in the plants area through the improvement of the system. In addition, the Company collects environmental expenditure information, environmental expenditure benefits, and informs stakeholders of environmental protection measures. (For details of the environmental management system based on industrial characteristics, please refer to Environmental Aspects of the 2022 Sustainability Report.)	In compliance with Article 13 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	V		<p>1.2 To fulfill the corporate social responsibility and response to the requirements of emissions reduction, the Company complies with ISO14064-1 to conduct the systematical inventory for GHG emissions voluntarily since 2005. In 2007, the Company firstly commissioned SGS to verify the GHG emissions of scope 1 and scope 2 to ensure the accuracy of the inventory. In 2018, the Company also commissioned SGS to verify the GHG emissions of scope 3.</p> <p>1.3 The Company participates in the carbon disclosure issued by CDP to respond the needs of investors and stakeholders to dedicate to climate actions. In March, 2023, the Company was officially approved by SBTi, becoming the first Textile company in Taiwan to be validated.</p> <p>2.1 The company continues to promote energy conservation, emission reduction and circular economy, and integrates energy and resources across factories to improve energy efficiency. In recent years, AI and installation of solar power panels have been used to carry out industrial safety management and process optimization to improve production efficiency and maximize energy utilization.</p> <p>2.2 The Company continues to improve the methods on recycling rate from wastes such as recycled polyester from ghost nets, discarded plastic bottles, and used clothes.</p> <p>2.3 From raw material procurement to product sales, the Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow market trends and meet customer's needs, the Company has shifted its focus to producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. (For details of the specific practices and products that are environmentally friendly, please refer to Environmental Aspects of the 2022 Sustainability Report.)</p>	In compliance with Article 12 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.



Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(3) Does the Company assess potential risks and opportunities arising from climate change, and establish relevant risk management policy or strategy?	V		3.The Company continued to assess potential risks and opportunities arising from climate change in aspects of finance, reputation, global economy, energy cost volatility, and environmental compliance costs, set energy conservation targets and measures, and develop eco-friendly products to keep the business operations stable and competitive. The Company signs up to support the Climate-related Financial Disclosures (TCFD) and disclose information on the Company's governance, strategy, risk management, indicator and targets for climate-related risks and opportunities in accordance to the TCFD. (Please refer to Risks and Opportunities Arising from Climate Change of the 2022 Sustainability Report.)	In compliance with Article 17, paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(4) Does the company monitor its greenhouse gas (GHG) emissions, water consumption, and waste volume for the past two years, and establish policies for energy conservation, carbon and GHG reduction, water consumption reduction, waste volume reduction accordingly?	V		4. The Company regularly commissions SGS (Taiwan Inspection and Technology Corporation) to conduct greenhouse gas inventory. In 2022, the climate change questionnaire was awarded the highest honor,A, by CDP, and the water security questionnaire was rated the leadership. For energy conservation and carbon reduction, the Company will set a specific reduction target each year. (For further details, please refer to refer to IV. Environmental Aspect of the 2022 Sustainability Report.)	In compliance with Article 17, paragraph 2~3 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
4. Social issues (1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?	V		1.1 In order to uphold the basic human rights of stakeholders, including employees and customers, In addition to complying with Labor Standards Act and other relevant labor regulations, the Company abides by the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprise and Social Policy, in the formulation of personnel regulations and systems, providing employees relatively steady pays, board and	In compliance with Article 18 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(2) Did the company establish and implement reasonable employee benefits (including compensations, holidays, and other benefits), and appropriately reflect its business performance and results on its employee compensations?	V		<p>lodging, promotion and other development system, and improved safety and hygiene, so as to protect employees' rights and help them develop multiple professional capabilities. The President of the Company, Lee Ming-Chang, officially signed the human rights policy in April 2019. For the detailed content of and human rights protection, please refer to the website <a href="http://www.ftc.com.tw/newftc/regulations.php">http://www.ftc.com.tw/newftc/regulations.php</a>, and refer to the Company's 2022 Sustainability report.</p> <p>1.2 Principle of Diversity, Inclusion and Equal Employment: Comply with the Employment Service Act to provide open, fair and equitable employment opportunities, and establish “Human Right Policy,” and “Measures on Prevention, Complaint and Punishment of Sexual Harassment at Workplace” to create a fair workplace and free from discrimination and any form of haressments. Please refer to the Company’s 2022 Sustainability Report for the detailed operation.</p> <p>2.1 The Company has clear regulations on employee promotion, assessment, training, rewards, and punishments. The salary for new recruits is based on the qualifications required for the job. Female and male employees of the same position and rank receive equal pay for equal work. Employee performance is reviewed regularly in order for raise and promotion to be given accordingly.</p> <p>2.2 The Company's fixed holidays are Saturdays, Sundays, national holidays and other dates that are designated as holidays by the central competent authority. Employees are granted annual paid leaves in accordance with the Labor Standards Act. For other employee benefits, please refer to E.E. Labor-management relationship of V. Business Status of this annual report.</p> <p>2.3 Article 30 of the Articles of Incorporation of the Company states that when allocating the net profits for each fiscal year, the Company shall</p>	In compliance with Article 21, paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	V		<p>set aside 0.05% to 0.5% of the balance of pre-tax profit prior to deducting employees' compensation as compensation of employees. In addition, the Company provide year-end bonus and formulate the degree of salary increase each year according to operation performance of the Company.</p> <p>3.1 The Company regularly provides health and education information for employees. In order to enhance employees' safety and health awareness, the Company distributes "work hazard reminder cards" and "safety and hygiene manuals" to remind employees of work safety through education, training, and safety observation.</p> <p>3.2 The ISO 45001 Occupational Safety and Health Management System and the Taiwan Occupational Safety and Health Management System (TOSHMS) certifications have been obtained by Taiwan plant. (For details on how to improve employee safety in the workplace, please refer to Health and Safety of the 2022 Sustainability Report)</p>	In compliance with Article 20 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(4) Has the Company established an effective competency development career training program for employees?	V		<p>4.1 Through the e-training management system, the Company ensures that personnel are gradually completing the training of new personnel, foundation, professional and cadre reserve. In addition, in line with the work and safety needs of individual units, counseling staff with professional licenses hold occasional seminars on various topics as well as strengthening human rights and workplace safety awareness courses. For more details of the lessons of human rights, please refer to the Company's 2022 Sustainability Report.</p> <p>4.2 In addition, in response to the rapid development of AI and big data application technology, the Company has dispatched employees to participate in the technical leadership training classes and executive programs at the Taiwan AI Academy.</p>	In compliance with Article 21, paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(5) Does the company follow relevant laws, regulations and international guidelines in terms of customer health, safety, and privacy, as well as when marketing or labeling its products and services and has the company established relevant consumer protection policies and grievance procedures?	V		<p>5.1 The Company's textile products is a large B2B transaction; except for the gas station, which is a retail business, most products are not directly sold to general consumers, therefore there are few marketing activities such as media advertising and publicity; For regulatory promotions, all units will consult the Formosa Plastics Enterprise Legal Affairs Office to avoid violating laws and regulations. In addition, the Company has stipulated the "Personal Asset Management Measures" to strictly limit and control the query of personal data to protect customer privacy.</p> <p>5.2 Customer relationship management is an important part of the Company's sustainable operation. In order to understand the valuable opinions of customers, the Company has clearly defined the customer complaints pipeline as well as return and compensation application procedures so that customers can express relevant appeals through the Response Form. Product complaints are handled by the salesperson filling out the Customer Complaint Handling Form for all returns and exchanges. The process is also monitored by the computer system. Another method for customers to make inquiries or comments is to contact the telephone number or e-mail address listed on the official website. Comments and suggestions are prioritized according to the level of importance and timeliness. They are then forwarded to the relevant departments to ensure that the Company meets all customers' needs.</p>	In compliance with Article 24 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(6)Has the company established supplier management policy and require suppliers to comply with relevant standards on environmental protection, occupational safety and health, or labor and human rights issues?	V		<p>6.1 The Company strictly requires raw material suppliers to comply with Oeko Tex Standard 100, Substances of Very High Concern (SVHC), no organic tin component guarantee, no APEOs component guarantee, ZDHC restricted chemical content questionnaire declaration, and dangerous goods transportation must meet standard conditions such as national regulations on safe transportation. It is clearly stipulated in the terms of the procurement contract that suppliers are required to comply</p>	In compliance with Article 26 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			with the regulations. The principle of sustainable management shall be clearly stated in the "Inquiry Form" and "Order Notice" to abide by the fair trading principle. Suppliers are required to follow the principles of environmental protection, occupational safety and human rights. Unqualified products and materials shall be rejected and shall be included in the supplier's evaluation and review. Suppliers with serious violation shall be banned from cooperation. For details of supplier management practices, please refer to the Company's "2022 Sustainability Report.	
5.Does the company refer to guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Has the aforementioned statement received any validation or guarantee from third-party accreditation/attestation organization?	V		The content structure of the Company's 2022 Corporate Sustainability Report is based on the Global Resiliency Reporting Association's GRI standards guidelines, written in accordance with the guidelines and framework outlined in the Core Options, and exposes the Company's main sustainability issues, strategies, goals and objectives, as well as measures. The Company have been inspected by a third party certifying authority, SGS, in accordance with the GRI Standards 2021/AA1000 ASv3 Type 1, and was awarded the certificate of credibility.	In compliance with Article 29 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
6. Where the Company has established its own Best Practices on sustainable development according to the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and actual implementations taken by the Company : Note : The Company passed the resolution of the "Corporate Social Responsibility Code" as set out in the resolution of the Board of Directors on August 7, 2015. On May 6, 2022, the board of directors approved to rename "Corporate Social Responsibility Code" as "Sustainability Development Principles." Although the Company's practice has been slightly revised, the established code and the "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" comply with the same spirit. For the operation of the Company's Sustainability, please refer to the 2022 Sustainability Report and website description.				
7. Other important and helpful information in understanding sustainable development operation : (Explanation 1) Relevant systems and structures: The Corporate Social Responsibility Committee was founded on March 6, 2015, constituting with the functional teams of president's office. In January, 2022, the committee was reshuffled and renamed as "Sustainability Committee" to drive the sustainability commitment. The business content includes three aspects:				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>environmental protection (E), social responsibility (S), and corporate governance (G). Among them, the environmental protection (E) aspect is subdivided into 8 important topics: 1. Climate-related financial disclosure 2. Circular economy - energy (resource) efficiency improvement 3. Circular economy - plastic recycling 4. Integration of international carbon reduction initiatives 5. Safety and green procurement (including transportation and packaging) 6. Renewable energy and green energy 7. Green product research and development and promotion of the green industry. The president, Lee Ming-chang, serves as the general convener, in responsible for strategy formulation, goal planning, performance monitoring and management policy about the Company’s ESG. President Office, safety and health department, accounting department, and other units form “The ESG Unit to be responsible for corporate governance, work safety and environmental sustainability, water and energy saving, product and customer service, supplier and contractor management, happy workplace, good neighbors and other related work. The president holds regular meeting every month to review the operation of ESG of the Company. In line with the order from Financial Supervisory Commission and the policy, the committee was approved to be governed by the board of directors by the BoD meeting on May 6, 2022. The committee regularly report the strategy and the execution to the Board. The Committee is constituted with five directors (three independent directors and two directors, Lee, Ming-Chang and Lee, Chien Kuan), and director, Lee, Ming-Chang, acts as the convener of the Committee.</p> <p>(Explanation 2) Social welfare engagement of the enterprise</p> <p>1. The system, measures, and performance of environmental protection, safety, and health :</p> <p>It is a company's social responsibility to assure the safety of products, employees, contractors, factory premises, and community, which has become an essential element in corporate competitiveness.</p> <p>We believe any disaster and accident, big or small, is avoidable. Adhering to high-standard universal values, the Company utilizes the power of organization and system to attain its objective, asking all unit chiefs to understand and take part in the initiative, providing promotion and education/training, and demanding faithful execution of system, and seeking constant improvement in performance figures.</p> <p>2. A. The company has installed at factory premises detection and analytical instrument for the quality and quantity of discharged waste water, with upgrading of information on screen once every 15 seconds. The instrument is linked to the municipal environmental protection bureau for inspection, for joint prevention of water pollution. The company has also implemented by its own various energy-conservation and waste abatement measures, green procurement, resources recycling, employment of non-toxic chemicals, and decrease of packaging materials, in a continuing effort in materializing the vision of green factory.</p> <p>B. Voluntary energy saving and carbon reduction: The Company has long devoted itself to promoting energy saving and carbon reduction campaigns. Over the past four years, the Company was awarded as the best enterprise to voluntarily save energy and reduce carbon emissions.</p> <p>C. CDP carbon disclosure: In 2022, based on the responses to CDP's questionnaires, what FTC received are as follows:</p> <p>(1) Climate Change: FTC has firstly rated "A," the highest honor, and higher than Textiles &amp; fabric goods sector average of "C."</p> <p>(2) Water security: FTC has rated "A-(leadership) for consercutive three years."</p> <p>3. Employ cutting-edge and energy conserving equipment in priority, either for new installation or replacement purpose. Throughout the company's factory premises, including whole set of machinery and facilities and small items such as lights and faucets, the Company has adhered to the practices of energy</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
conservation, consumption reduction, emission reduction, recycling, circular or repetitive use, toxin-free, and degradability. The company has strived to have all machinery equipment in factory to function and stop at the same time, so as to attain energy conservation and cut consumption via concentrated production, leading to cost reduction and environmental improvement in long run. In 2022, the amount of green procurement amounted to NT\$652,640.				
4. In an effort to environment protection, the Company provides the subsidies of NT\$ 16,000 to the staff for purchasing new electric scooters and NT\$10,000 to those who change the old scooters to electric scooters. In 2022, the Company provides employees for purchasing 22 new electric scooters.				
5. To install solar power generator:				
(1) In September, 2019, Formosa Taffeta Vietnam Co., Ltd. completed its solar power panels. Later, in March. 2021, phase two of solar power system was completed. The amount of annual electricity(KWH) production reaches to 4.04 million.				
(2) In Dec., 2021 Douliu plant has completed the phase 1 of PV system installation. In Oct., 2022 Douliu plant started the phase two of PV system installation, and electric meters have been installing since November, 2022, which is expected to completed in the end of 2023. The annual amount of electricity generated from PV system is estimated 30,000,000 KWH.				
(3) Chnag-su plant completed PV system installation in April, 2022, the annual amount of electricity generated from PV system is estimated 1,310,000 KWH.				
(4) The phase one of PV system installed in Dong-Nai plant, Vietnam is scheduled to be completed in May, 2023, the phase two is estimated to be finished in August, 2023. The annual amount of electricity generated from PV system is estimated 12,600,000 KWH.				
When the aforementioned PV system installed in Taiwan, China, and Vietnam plants is completed, the annual amount of electricity generated from PV system would reach to 47,950,000 KWH. It is estimated to reduce 24,000 CO2 emissions per year.				
6. System and measures for communal participation and status of implementation:				
It is the Company's policy to become a good neighbor of nearby communities, communicating friendly with their residents and giving them multiple assistances, upholding a good common environment jointly, taking part in various local public services, and helping take care of poor families and underprivileged groups, so as to build an emotional bond with neighboring communities. Meanwhile, employees have also organized by their own public-service clubs, to provide givebacks to neighboring communities, such as communal cleaning, manifesting human care and love and contributing to formation of a harmonious community.				
7. System and measures for social contribution, social service, and social benefits and status of implementation:				
In line with the spirit of "diligence and down-to-earth style," the Company has been pushing the management concept of "harmony, innovation, service, and dedication," as embodied in honest tax payment, high regard for environment protection and industrial safe, and care for employees, so as to uphold the company's corporate image and repute, give back to the society, and fulfill corporate social responsibilities.				
8. All employees must constantly improve their specialties and take into account safety, hygiene, and environmental protection in any decision, thoroughly understand the spirit of system for faithful implementation, tackle root causes for problems, embrace SOP of international brands, and safeguard safety of oneself, colleagues, and neighbors, uphold natural environment, and protection corporate assets. Adhering to the concept of "co-existence of industrial development and environmental				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
protection," the Company believes that fulfillment of social responsibility is critical for sustainable development.				
9. When the staff or their spouses are pregnant or childbirth, the Company provide the gifts and various subsidiaries for child care. The Company provides NT\$10,000 for a new born baby, and since the birth, the Company provide NT\$1,000 for child care until they reach to six-year old.				
10. The company has been continuously caring for the society, assisting the underprivileged, and taking part in public services, in the fields of education, industry, academia, and society:				
a. Education: Dated back to early stage of Taiwan's economic development, the Company cooperated with "Dade vocational high," providing part-time job opportunities to students from poor families and enabling them to work at the Company or seek advanced study after graduation, a program which lasted until 2009, due to the reduced need of the school. For decades, the Company has run kindergarten, tuition free, to accommodate children of employees and neighboring residents.				
b. The company supports 19 employee clubs dedicated to healthful and social-benefits activities.				
c. To promote the local culture, the Company supported the following events:				
(1) the Children Drama Performance held by the Worldpeace Organization and Song Song Song Children's & Puppet Theatre to have children opportunities to broaden their horizons.				
(2) the "2022 Dream Flies" concert held by Chengsheng Broadcasting Corp., aiming to provide a stage for the disabled with music talent.				
(3) the foundation of Yun Xiang Lei Long Baseball Team by a care development association in Yunlin County.				
d. Other social-benefits activities: continuously pushing and sponsoring various social-benefits activities, such as:				
(1) Giving back to Local Communities – Participation in Social Charitable Events				
No.	Type of Donation			Number of Events
1	Temple and festival activities in neighboring communities			15
2	Consultation for the neighborhood volunteer civil defense force			5
3	Welfare activities and celebrations organized by the Longevity Club of the Development Associations in the neighboring communities			12
4	Activities organized by community vulnerable group foundations			4
5	Donations to charities and events of neighboring schools and organizations			8
6	Donations/ Sponsoring the ant and cultural events or cultural creation			3
7	Sponsoring other environmental protection activities and events in neighboring communities			2



Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>(2) The Petroleum Business Division of the Company held the 25<sup>th</sup> anniversary charity activity, donating to 10 charity organizations.</p> <p>(3) The Company’s clubs irregularly hold activities for blood donation to help the society and more people in need.</p> <p>(4) Sponsorship for charitable activities in neighboring communities of overseas factory premises.</p> <p>In addition to fully cooperating with the Environment Protection. Administration to promote green procurement in private sectors to implement energy-saving, carbon-reducing and green consumption policies, the Company also actively requests suppliers to increase the number of products certified by Bluesign year-on-year. In the future, we will continue to implement various related businesses such as water conservation, energy conservation and carbon reduction, sustainable utilization of resources, and friendly environment, aligning with the concepts of environmental protection and economic development, and fulfilling our social responsibilities. In addition, a healthy and safe working environment has always been the goal of our efforts, and it is also the Company's responsibility to employees and their families. Requiring employees to pay attention to "safety first" when entering the workplace is an important principle that demonstrates our focus on employees; The Company encourages employees and contractors to propose improvements and suggestions for unsafe operating environment, and we use the shift time to strengthen the precautions for the promotion of operational safety, and appropriately reward the zero-work disaster department.</p> <p>To ensure employees to work in a safe and healthy environment, the Company, in 2022, held the rapid tests of SARS-CoV-2 for employees at home and abroad, totaling 3,322, and none employee was tested positive. In addition, the Company regularly disinfects the working environment. In 2022, the employees, getting the first dose, amounts to 4,079(94.0%), and those with second doses, reaches to 3,502(80.7%).</p>				

Note 1.If Implementation Status is specified "Yes", please explain the key policies, strategies and measures taken and the current progress. If Implementation Status is specified "No", please refer to "The discrepancies in the Code of Practice of Sustainable Development for the TWSE/TPEX Listed Companies" section to explain the situation and reasons for the discrepancies, as well as explain any policy, strategy and measure planned for the future.

Note 2.Companies who have compiled CSR reports may specify the ways to access the CSR and the page numbers of the cited content in place of the above-requested description.

Note 3.For the disclosure method, please refer to the template on the Taiwan Stock Exchange Rules & Regulations Directory website

(G) Fulfillment of Code of Ethics and Business Conduct and measures adopted :

Fulfillment of Code of Ethics and Business Conduct and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” and Reasons :

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
1. Stipulating policies and plans for ethical corporate management (1) Has the Company established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors, and clearly stipulated regulations and policies for ethical business conduct and relevant guidelines in company articles and external documents? Does the Company’s Directors and management team actively fulfill their commitment to corporate policies?	V		1. The Company complies with the Company Act, the securities trading law, and other related regulations, and upholding the “Diligence, Perseverance, Frugality and Trustworthiness” enterprise spirit in order to comply with the law and ethical standards. With the business philosophy of honesty, integrity, fairness, and transparency, self-discipline, and responsibility, the Company has established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors. With the Company's President Office as the driving unit to formulate and implement various ethical policies, the Company establishes a good corporate governance and risk control mechanism, to seek sustainable development of the Company. The Board of Directors and management also promises to actively implement and supervise the implementation of the integrity management policy.	In compliance with Article 4 and Article 5 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(2) Does the company establish a risk assessment mechanism against unethical conduct, regularly analyze and assess business activities within their business scope which are at a higher risk of being involved in unethical conduct? Does the company establish prevention programs accordingly including measures	V		2.1. The Company has established strict rules of conduct and ethics in the rules and regulations such as "Work Rules" and other rules and regulations to specify the relevant reward and punishment regulations. Directors, managers, servants of the Company, or those who have substantial control capabilities are prohibited from providing, pledge, requesting or accepting any illegitimate interests directly or indirectly, or making other violations of good faith, illegality, or breach of fiduciary duty to prevent malpractice, misappropriation of public funds, acceptance of bribes, disclosure or lies, and other acts of dishonesty. 2.2. The Company analyzes and assess periodically business activities	Complying with the regulations specified in Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," the Company has specified and enacted regulations designed to prevent unethical conduct in multiple rules and systems. Nevertheless, specific "Procedures for Ethical Management

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
<p>prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct, punitive measures for violations and appeal systems within the said plan? Did the action plans be implemented accordingly?</p>	V		<p>within their business scope which are at a higher risk of being involved in unethical conduct. For those who engage in business activities with a high risk of dishonest behavior, the company has clearly established "Working Rules" which state that positions of interest for business, procurement, contracting, supervision, and budgeting, as well as contact with other manufacturers shall not accept business dinners or other entertainment activities invited by the manufacturer, nor accept the property or other interests of gifts. The offenders shall be excused from office and their Supervisors shall be jointly and severally punished. Besides, related duties have comprehensively promoted regular rotation operations to prevent the occurrence of any corruption.</p> <p>3. The Company clearly illustrated its ethical policies for integrity management and relevant operating procedures, behavior guidelines, reports, disciplinary penalties, appeals and other regulations in the "Working Rules", "Ethical Management Rules and Codes of Conduct", "Precautions against Insider Trading Operations", "Procedures for Inspection and Control", and "Employees' Complaint Operation Points", etc. The Company, meanwhile, has formulated "Guidelines for Ethical Conduct" for directors and managers, (please refer to the Company's website <a href="http://www.ftc.com.tw/newftc/integrity.php">http://www.ftc.com.tw/newftc/integrity.php</a> or the sixth item of Special Disclosure in the Company's annual report, for guidelines of ethical conduct for the company's directors and managers'). The above rules and regulations are regularly reviewed to meet practical needs.</p>	<p>and Guidelines for Conduct" has yet to be formulated.</p> <p>In compliance with Article 7, paragraph 1 and Article 10~13 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."</p>
<p>2.Implementing ethical corporate management</p> <p>(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the</p>	V		<p>1. The company's contracts for business dealings all include article on ethical behavior. The company has also carried out credit check on customers, suppliers, and other stakeholders, including auditing, in order</p>	<p>Compliance with articles 9 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM</p>

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
Company and its trading counterparty clearly provide terms on ethical conduct?			to prevent harm to the company's interests by unethical behaviors.	Listed Companies"
(2) Has the Company designated an exclusively (or concurrently) dedicated unit reports its ethical business management policy, action plans to prevent unethical conduct, and implementation status of supervisory measures to the Board of Directors?	V		2. The President's office, the standard group, manager office of each division and general affair office jointly implement ethical management, including the promotion of the ethical management policy, and the organization of education and training on integrity management related issues, and handling cases related to inspection and prosecution pursuant to the Company's "Rules of Prosecution". The promotion units of integrity management shall report to the Board of Directors at least once a year. The latest report date was December 9, 2022, which mainly reported the policies, practices and implementation of ethical management, and the commitments of the Board of Directors and senior management to actively implement the management policy. In addition, the internal audit report is submitted to the independent directors for review every month, and regularly report to the Board of Directors.	Compliance with articles 17 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	V		The operation of conducting the ethical business policy in 2021: 3.1 In compliance with the "rules governing meetings of the board of directors" (for details refer to the company's website <a href="http://www.ftc.com.tw/newftc/director.php">http://www.ftc.com.tw/newftc/director.php</a> ), the company's directors in a high self-discipline have to explain major contents of related interests on cases involving interests of their own or legal entities they represent on the agenda of the meetings of the board of directors which should exclude cases with possible harm to the company's interests. Directors with related interests should abstain from discussion and voting for such cases and should not commission other directors to exercise their voting rights. 3.2 The company has asked employees to follow the regulation of abstention from behaviors involving personal interests and report by	Compliance with articles 19 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Did internal auditors establish relevant audit plan to verify the status of compliance with unethical conduct prevention action plans based on the result of risk assessment on unethical conduct? Did the Company entrust audits to a CPA ?	V		<p>their own conflict of interests, according to stipulations in the "Working Rules" and " Guidelines for Prevention of Insider Trading," which also non-compete clause to avoid conflict of interests.</p> <p>3.3 According to "measures governing handling of complaints by inside and outside stakeholders" the company provides channels for employees or inside or outside stakeholders to report or complain any illegal or improper behaviors.</p> <p>4. The company has established complete accounting system and internal control mechanism and has been pushing at full scale linkage between the six major management functions of personnel, finance, management, production, procurement, and engineering, to attain mutual check and conduct abnormality management. Meanwhile, the company has put in place an independent professional internal auditing structure, consisting of multiple aspects. The first aspect is executed by the auditing office under the board of directors, and an audit plan is set up every year to audit the regulatory compliance to reduce the risk of unethical conduct.; the second aspect is regular and specific auditing by the president's office of parent company Formosa Chemicals &amp; Fibre Corp.; the third is regular or project-based independent auditing by the president's office; the fourth is auditing by the company's various units themselves; the fifth is mechanism for inside or outside reporting or complaints and tracking. As internal auditing is the responsibility of all employees, auditing operation of the fourth aspect involves regular business check by various units themselves (at interval of one month, one quarter, half a year, or a year, according to nature of different items), so as to extend the spirit and purpose of internal control to every unit, every corner, and every individual. In addition, outside certified public accounts are engaged for regular spot check. Risk assessment for</p>	Compliance with articles 20 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
(5) Does the Company regularly organize internal and external training for ethical corporate management?	V		<p>corruption on business activities in all operating sites is carried out, plus, through the self-check and evaluation on compliance with the laws, along with the audit by the audit unit, to ensure the normal operation and prevent any dishonesty behaviors. In 2021, there is no corruption happened.</p> <p>5. Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of "Diligence, Perseverance, Frugality and Trustworthiness," as well as cultivating work ethics based on integrity, fairness and transparency, self-discipline, and a sense of responsibility. All new recruits receive corporate culture training. In addition, training courses about regulations, anti-fraud, and anti-corruption are held every year to strengthen the employees' commitment to complying with management rules based on good faith. In 2022, the Company held internal and external education training related to the issue of integrity management (including compliance with business ethics, corporate ethics, prevention of insider trading, risk management and strengthening corporate governance), with a total of 59 persons engaging, and 177 training hours.</p>	Compliance with article 22-2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
<p>C. Status for enforcing whistle-blowing systems in the Company</p> <p>(1) Has the Company established concrete whistle-blowing and reward systems as well as accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?</p>	V		<p>The Company has set up various reporting channels, established in the "Ethical Corporate Management Principles," and "Ethical Behavior Principles," for employees or inside or outside stakeholders to report or complain any illegal or improper behaviors, and the human resource management group of the president's office is designated to address the reporting cases. In addition, the Company sets up the stakeholder's section on the website to provide the channels for communicating with inside and outside stakeholders including employees and investors. If the reporting case is involved with directors or other executives, the case will be reported to the</p>	Compliance with article 23 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(2) Does the company establish standard operating procedures, follow-up measures that should be taken after the investigation is completed, for confidential reporting on investigating accusation cases?	V		<p>independent directors. All the contents and the whistleblowers will be kept in confidence. In 2022, no case has been reported from inside and outside stakeholders.</p> <ol style="list-style-type: none"> <li>1. Provide mailbox, e-mail address, and fax line for reception of reporting, whose information is available via notice at the spot for clock in/clock out by employees.</li> <li>2. After a case is filed, the relevant team members of the president office of the whole enterprise shall be responsible for the procedures of case review, filing, and follow-up investigation.</li> </ol>	
(3) Does the company take appropriate measures to protect whistleblowers in order to protect them from inappropriate treatment?	V		<ol style="list-style-type: none"> <li>3. The principle of confidentiality : During and after an investigation, it is strictly forbidden to disclose any information to unrelated parties. Supervisors at all levels must also keep information confidential. All relevant information must be processed and archived according to the confidential document procedures to ensure the informant does not experience any unjust setback.</li> <li>4. Where the occurrence of illegal or improper act has been found to be true, punitive actions will be taken based on the "Personnel Management Rules". Judicial or prosecuting institutions will be alerted when necessary.</li> </ol>	

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
D. Strengthening of information disclosure Does the company disclosed its ethical corporate management principles and execution results on its website and the Market Observation Post System?	V		The company has disclosed information on ethical management on its website ( <a href="http://www.ftc.com.tw/newftc/integrity.php">http://www.ftc.com.tw/newftc/integrity.php</a> ) and in its annual report.	Compliance with article 25 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
E. For company with own ethical management principles, formulated according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," describe the operation of its own principles and the difference with the later: The company's board of directors approved revised ""corporate ethical management principles" on Nov. 7, 2014 and resolved to make further revision of the principles on June 23, 2017. The company's principles are in general similar to the official version but stress more the nature of guidelines and integration, to accommodate the need of the company's survival and development.				
F. Other key information conducive to the understanding of the operation of the company's ethical management (such as how does the company revise its ethical management principles). The company arranges attendance of corporate-governance courses by directors and managerial staffers every year to augment their capabilities governing and supervising various businesses, in the hope of boosting governance efficacy and materializing ethical management.				



(H) How to inquire about the company's corporate governance best-practice principles:

The company has formulated corporate governance best-practice principles; please access the company's website at

<http://www.ftc.com.tw/newftc/governanceop.php>

(I) Disclose other important information conducive to the understanding of the operation of the company's corporate governance:

The company has formulated "Guidelines for Ethical Conducts of the Company's Directors and Managerial Staffers" (for details, refer to the company's annual report, item 6 specially registered items, VIII).

The company will publish the latest "2022 Sustainability Report" by the end of June 2023; for reference please access the company's website at

[http://www.ftc.com.tw/newftc/respons\\_report.php](http://www.ftc.com.tw/newftc/respons_report.php)

(J) Execution status of internal control system

1. Statement on internal control system

Statement on internal control system by public companies

(Legal compliance specified in the statement is applicable to all laws/regulations)

Formosa Taffeta Co., Ltd.  
Statement on Internal Control System  
March 3, 2023

Based on self-assessment, the company makes the following statement on the company's internal control system in 2022:

1. The company is fully aware that establishment, execution, and maintenance of internal control system is the company's board of directors and managerial staff, in order to provide reasonable assurance for the efficacy and efficiency of operation (including profitability, performance, and protection of the safety of assets), the reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
2. Internal control system has its inherent constraint, as it, no matter how perfect is its design, can only provide reasonable assurance for the attainment of the aforementioned three objectives. In addition, change in environment and status may affect the efficacy of internal control system. Therefore, the company's internal control system has a mechanism of self-supervision, capable of locating defects for immediate rectification.
3. The company evaluates the efficacy of its internal control system, according to the evaluation items contained in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" ("regulations" in short hereafter), which divides internal control system into five constituents, according to the procedure of management control: 1. control environment, 2. risk management, 3. control activities, 4. information and communications, 5. monitoring activities, with each containing several items (refer to the stipulations of the "regulations."
4. The company has employed the aforementioned evaluation items in checking the efficacy of the design and execution of the internal control system.
5. Based on the aforementioned evaluation, the company believes that with reasonable assurance, the company's internal control system (including supervision and management of subsidiaries) as of Dec. 31, 2022 had been effective in both design and execution concerning understanding of the efficacy and efficiency of management, reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
6. The statement will be publicized, as a major part of the company's annual report and prospectus. Falsehood, concealment, and other illegalities in the aforementioned publicized contents would entail legal responsibilities, according to article 20, article 32, article 171, and article 174 of the Securities and Exchange Act.
7. The statement was approved by the company's board of directors on March 3, 2023, endorsed by all of the 10 directors in attendance, without any contrary opinion.

Wong Wen-yuan  
Chairman  
Signature

Lee Ming-chang  
President  
Signature

Formosa Taffeta Co., Ltd.

2. In case review of internal control system is outsourced to certified public accountant, disclose the CPA review report: nil.

- (K) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law on the Company or its internal personnel, any sanctions imposed by the Company on its internal personnel for violations of internal control system provisions, major deficiencies, and the state of any efforts to make improvements: Nil.
- (L) Major resolutions of shareholders' meeting and the board of directors in the recent year and as of the date for the publication of the yearbook

### **1. Shareholders' meeting on June 24, 2022**

Directors in attendance: Lee, Ming-Chang, Lee, Ching-Fen, Lee, Chien-Kuan, Lee, Man-Chun, Hsieh, Ming-der (attendees above are directors), Lin, Sheng-Chung, Kuo, Nein-Hsiung, Kuo, Chia-Chi (attendees above are directors), totaling 8 persons, which is over the half of the number of directors.

#### **(1) Ratification Items**

##### Case 1

Contents: The Company's 2021 Business Report and Financial Statements proposed in accordance with the law. Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,207,276,511; the result: 1,172,788,098 votes of recognition (with 1,081,499,790 electronic votes), accounting for 97.1% of the total voting rights; 444,305 votes of opposition (with 444,305 electronic votes); 0 invalid vote; 34,044,108 votes of abstention and unvote (with 34,044,108 electronic votes). The number of recognition exceeded the required amount and the proposal was ratified.

##### Case 2

Contents: The Company's 2021 earning distribution proposed in accordance with the law. Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,207,276,511; the result: 1,174,062,735 votes of recognition (with 1,082,774,427 electronic votes), accounting for 97.2% of the total voting rights; 457,140 votes of opposition (with 457,140 electronic votes); 0 invalid vote; 32,756,636 votes of abstention and unvote (with 32,756,636 electronic votes). The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: The Company's 2022 cash dividend of NT\$1.0 per share was approved by the Board. Based on the resolution of the Board on June 24, 2022, August 1, 2022 is set as the base date for cash dividend distribution, and the dividend will be issued from August 25.

## **(2) Discussion Items (I)**

### **Case 1**

Contents: Amendment to the Articles of Incorporation of the Company. Please proceed with the discussion. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,207,276,511; the result: 1,124,756,852 votes of recognition (with 1,033,468,544 electronic votes), accounting for 93.1% of the total voting rights; 43,194,790 votes of opposition (with 43,194,790 electronic votes); 0 invalid vote; 39,324,869 votes of abstention and unvote (with 39,324,869 electronic votes) The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended rules shall be announced on the Company's website.

### **Case 2**

Contents: Amendment to the Procedure of Acquisition or Disposal of Assets of the Company. Please proceed with the discussion. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,207,276,511; the result: 1,167,476,814 votes of recognition (with 1,076,188,506 electronic votes), accounting for 96.6% of the total voting rights; 484,550 votes of opposition (with 239,565 electronic votes); 0 invalid vote; 39,315,147 votes of abstention and unvote (with 39,315,147 electronic votes) The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended procedure shall be reported to the MOPS and announced on the Company's website. The amended procedure shall be implemented accordingly.

## **(3) Extempore motion: nil**

## **2. First 2022 meeting of the board of directors on March 9**

### **Case 1**

Contents: Proposal of the 2021 Remuneration of Directors and Employees. Please proceed to ratify. (Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present at the meeting agreed to pass the case and report it to 2022 Annual Meeting of Shareholders.

Case 2

Contents: Proposal for the 2021 financial statements and 2022 business plan. Please proceed to ratify. (The Secretariat reported that the appendix of this proposal have been submitted to the Audit Committee for approval, and Mr. Cheng, the assistant vice president of the General Mgmt. Div., reported the 2021 operating status and the 2022 business plan.)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 3

Contents: Proposal of the 2021 annual earnings distribution table. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 4

Contents: Proposal for convening 2022 Annual Meeting of Shareholders on June 24, 2022. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 5

Contents: Proposal to amend the Articles of Incorporation of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case and report it to 2022 Annual Meeting of Shareholders.

Case 6

Contents: To formulate Internal Control System Statement of the Company. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: Proposal to amend the Procedure of Acquisition or Disposal of Assets of the Company. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case and report it to 2022 Annual Meeting of Shareholders.

Case 8

Contents: Proposal to change the CPA of the Company. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

### **3. Second 2022 meeting of the board of directors on May 6**

#### Case 1

Contents: Proposal for the financial statements for the first quarter of 2022. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

#### Case 2

Contents: Amendments to the “Corporate Social Responsibility Principles” of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

#### Case 3

Contents: Proposal to set up the Sustainability Committee, governed by the board of director, and “Sustainability Committee Organization Chart.” Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

#### Case 4

Contents: Proposal to appoint directors, Lee, Ming-chang, and Lee, Chien-Kuan, and independent directors, Lin, Sheng-Chung, Kuo, Nein-Hsiung, and Kuo, Chia-Chi as members of the Sustainability Committee. Please proceed to ratify. (Lee, Ming-chang, and Lee, Chien-Kuan, and independent directors, Lin, Sheng-Chung, Kuo, Nein-Hsiung, and Kuo, Chia-Chi shall avoid due to the parties of the proposal.)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors, except aforementioned directors and independent directors, agreed to pass the case.

### **4. Third 2022 meeting of the board of directors on June 24**

#### Case 1

Contents: Proposal of the cash dividend base date and payment date for the Company's 2021 earnings distribution. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

### **5. Fourth 2022 meeting of the board of directors on August 5**

Case 1: Preparation of the 2022 Q2 financial statements. (Proposed by the Audit committee) (The Q222 business status was reported by the Deputy Vice President of General Divisions, Mr. Cheng)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 2: To amend the procedure of financial statements formulation of “Internal Control Systems” and “Internal Audit Implementation Rules”. (Proposed by the Audit committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 3: To invest additional US\$7,200,000 in Formosa Taffeta Dong Nai Co., Ltd. (Proposed by the Audit committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 4: The salary adjustment of the managers would be in line with all employees in 2022, please discuss and resolve. (proposed by the remuneration committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 5: To adjust the principles for the issuance of allowance for the Director 's of the Company. (proposed by the remuneration committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

#### **6. Fifth 2022 meeting of the board of directors on November 4**

Case 1: Preparation of the 2022 Q3 financial statements. (Proposed by the Audit committee) (The Q322 business status was reported by the Deputy Vice President of General Divisions, Mr. Cheng)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 2: To amend the Company's “Corporate Governance Principles.”

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 3: To amend the Company's “Standards for the Board of Directors meetings.”

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

Case 4: To amend the Company's “Procedures for Handling Material Inside Information.”

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

#### **7. Sixth 2022 meeting of the board of directors on December 9**

Case 1: Proposal to formulate the Company's 2023 annual audit plan. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

## **8. First 2023 meeting of the board of directors on March 3**

### Case 1

Contents: Proposal of the 2022 Remuneration of Directors and Employees. (Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present at the meeting agreed to pass the case and report it to 2023 Annual Meeting of Shareholders.

### Case 2

Contents: Proposal for the 2022 financial statements and 2023 business plan. (The Secretariat reported that the appendix of this proposal have been submitted to the Audit Committee for approval, and Mr. Cheng, the assistant vice president of the General Mgmt. Div., reported the 2022 operating status and the 2023 business plan.)

Independent Directors' opinions and the treatment status: None.

Resolution: All directors present agreed to pass the case.

### Case 3

Contents: Proposal of the 2022 earnings distribution.

Independent Directors' opinions and the treatment status: None.

Resolution: (1) All directors present agreed to distribute cash dividends totaling NT\$2,526,996,956, or NT\$1.5 per share, and to submit a report on the 2023 Annual General Meeting of Shareholders. (2) All directors present agreed to submit 116 the profit distribution statement to the 2023 Annual General Meeting of Shareholders for approval

### Case 4

Contents: Calling of the 2023 Shareholders' Meeting to take place on June 16, 2023.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

### Case 5

Contents: Proposal for re-election of all Directors in the 2023 Annual Meeting of Shareholders.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

### Case 6

Contents: To amend the Articles of Incorporation of the Company.

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present at the meeting agreed to pass the case and report it to 2023 Annual Meeting of Shareholders.



Case 7

Contents: To formulate the Company's "Internal Control System Statement" (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 8

Contents: In order to formulate the pre-approval policy for the company's accounting firm to provide non-confirmation services. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

**9. Second 2023 meeting of the board of directors on May 5**

Case 1

Contents: Proposal for the financial statements for the first quarter of 2023. (Proposed by the Audit Committee) (The Q123 business status was reported by the Deputy Vice President of General Divisions, Mr. Cheng)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 2

Contents: Proposal for the list of director candidates (including independent directors) from shareholders who hold more than 1% of the total issued shares of the Company.

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present agreed to pass the case and were included in the list of candidates for directors (including independent directors) at the 2023 general meeting of shareholders.

Case 3

Contents: Release of Directors from Non-Competition Restrictions. (Proposed by the Audit Committee) (Five attended members, including the Chairman of the Board, Directors, Hong, Fu-Yuan, Lee, Ching-Fen, Lee Ming-Chang, Hsieh Ming-Der, shall enter recusal due to the positions they serve in other companies whose business scope is similar to the Company, specified in the attachment. The Chairman of the Board appointed Lin, Sheng-chung, as the acting chairperson.)

Independent Directors' opinions and the treatment status: None.

Resolution: Except for the directors who shall enter recusal due to conflict of interests, all other directors voted in favor of adopting the proposal.

Case 4

Contents: To amend the Company's "Internal Control System," and "Enforcement Rules of Internal Control."

Independent Directors' opinions and the treatment status: None.

Resolution: All directors agreed to pass the case.

- (M) The main content of Opinions of director or supervisor on record or in written statement different from important resolutions of the board of directors in the recent year and the current year as of the date of the publication of the annual report: None
- (N) In the most recent year and as of the date of publication of the annual report, Company related person Summary of the resignation and dismissal of the Company's Chairman, President, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development: None

## E. Information on professional fee for certified public accountants

Information on professional fees for certified public accountants

Unit: NT\$1,000

Name of accounting firm	Names of certified public accountants	Auditing period	Auditing fee	Non-auditing fee	Total	Remarks
PwC Taiwan	Wu Han-chi	2022.01.01-2022.12.31	4,235	150	4,385	
	Juanlu Man-yu	2022.01.01-2022.12.31				

Remark: Non-auditing fee refers to the transfer pricing reporting fee of 2022.

Note: Should there be replacement of CPA or accounting firm, list the auditing period of the original ones and explain reason for the replacement in note column and disclose the information on audit and non-audit fee. Non-audit fee shall be specified its service contents.

- (1) When the securities firm changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: NA.
- (2) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed ("Audit fees" means professional fees paid by the company to its CPA for audits, reviews, and secondary reviews of financial reports, reviews of financial forecasts, and tax certification.): NA.

**F. Information on replacement of certified public accounts: If company replaces certified public accountants in recent two years and before the publication of the financial statement, disclose information on the following items:**

1. About original certified public accountants

Replacement dates	March 13, 2020 and March 9, 2022		
Replacement reason and explanation	Job reshuffle of accounting firm		
Explain whether the replacement is due to the termination of appointment by client or refusal to accept appointment by CPA	status \ client	CPA	Client
	Termination of appointment	V	-
	Refusal to accept (continue) appointment		-
Any reservation in auditing reports in recent two years and reason	Nil		
Any different opinion with issuer	Yes		Accounting principle or practice
			Disclosure of financial report
			Auditing scope and procedure
			Other
	No	V	
	Explanation: Nil		
Other disclosure items (stipulated in item 1-4 through item 1-1 of section 6 of article 10 of the guideline)	<p>1. Financial report is unreliable, due to lack of sound internal control system, as shown by notice by previous CPA: nil</p> <p>2. Previous CPA notifies the company expressing distrust of the company or unwillingness to have any association with the company's financial report: nil.</p> <p>3. Previous CPA notifies the company demanding expansion of auditing scope and data show expansion of auditing scope may impair the credibility of financial report certified or going to be certified but the suggestion of scope expansion fails to be materialized, due to replacement of CPA or other reasons: nil.</p> <p>4. Previous CPA notifies the company that data show possible impairment of the credibility of financial report certified or going to be certified but fails to rectify the problem, due to replacement of CPA or other reason: nil.</p>		

2. About succeeding original certified public accountants

Name of accounting firm	PwC Taiwan	
Names of certified public accountants	Wu Han-chi, Liang Hua-ling	Wu Han-chi, Juan Lu Man-yu
Appointment date	March 13, 2020	March 9, 2022
Consultation before appointment on the accounting method and principle for specific transaction and opinions on financial reports going to be certified and result	Nil	
Written opinions of succeeding CPA differing from opinions of previous CPA	Nil	

3. Reply from previous CPA on items related to item 1 and item 2-3 of section 6 of article 10 of the guideline: nil.

**G. In case the company's chairman, president, or financial or accounting manager serves at the accounting firm of certified public account or its affiliate in recent one year, disclose his/her name, title, and period of service at the accounting firm or its affiliate: nil.**

**H. The situation of share transfer and change in shareholding mortgage by directors, managerial staffers, and shareholders with over 10% shareholding in the recent year and as of the date of the publication of the yearbook**

**(A) Change in shareholding by directors, managerial staffers, and major shareholders:**

Title (note 1)	Name	2022		as of April 18, 2023	
		Amount of shareholding increase (decreased)	Amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decreased)	Amount of mortgaged shares Increased (decreased)
Chairman	FCFC	-	-	-	-
	Representative: Wong, Wen-yuan	-	-	-	-
Standing director (independent director)	Lin, Sheng-chung	-	-	-	-
Independent director	Kuo, Nein-hsiung	-	-	-	-
Independent director	Kuo, Chia-chi	-	-	-	-
director	FCFC	-	-	-	-
	Representative: Hong, Fu-yuan	-	-	-	-
director	FCFC	-	-	-	-
	Representative: Lee, Ching-Fen	-	-	-	-
director	FCFC	-	-	-	-
	Representative: Lee, Ming-chang	-	-	-	-
director	FCFC	-	-	-	-
	Representative: Lee, Chien-Kuan	-	-	-	-
director	Lai Shu-wang Foundation	-	-	-	-
	Representative: Lee, Man-chun	-	-	-	-

Title (note 1)	Name	2022		as of April 18, 2023	
		Amount of shareholding increase (decreased)	Amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decreased)	Amount of mortgaged shares Increased (decreased)
director	Hsieh, Ming-der	-	-	-	-
director	Keyford development Co., Ltd.	-	-	-	-
	Representative: (Vacancy)	-	-	-	-
President	Lee, Ming-chang	-	-	-	-
Vice president	Lee, Chien-Kuan	-	-	-	-
Vice president	Chen, Kun-Yuan	-	-	-	-
Chief of financial division, Chief Corporate Governance Officer	Cheng, Hung-ning	-	-	-	-
Chief of accounting division	Lee, Shu-ming	-	-	-	-
Shareholder with over 10% shareholding	Formosa Chemicals & Fibre Corp.	-	-	-	-

Note 1: Shareholders with over 10% shareholding should be specified as major shareholder and listed separately.

Note 2: Filling in the following table, in case the recipient of share transfer or mortgaged shares is a related party.

(B) Information on share transfer: nil

Name (note 1)	Reason for share transfer (note 2)	Transaction date	Transaction partner	Relationship of transaction partner with the company, directors, managers and shareholders with over 10%	Amount of shares	Transaction price
-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in acquisition or disposal

(C) Information on mortgaged shares: nil

Name (note1)	Reason for change in mortgaged shares (note 2)	Date of change	Transaction partner	Relationship of transaction partner with the company, directors , andshareholders with over 10% shareholding	Amount of shares	Percentageof shareholding	Mortgage rate	Mortgaged (redeemed) value
-	-	-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in mortgaged or redeemed shares



# I. Top 10 Shareholders who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other

April 18, 2023

Name (Note1)	Own shareholding		Spouse's/minor's Shareholding		Shareholding by nominee arrangement		The relationship of the top 10 shareholders who are related parties according to Financial Accounting Criteria No.6, spouses or within second degree of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Formosa Chemicals & Fibre Corp. Representative: Hong, Fu-Yuan	630,022,431	37.40%	-	-	-	-	Chang Gung University, Ming Chi Institute of Technology	Chairman is the director of Chang Gung University and Ming Chi Institute of Technology.	-
Chang Gung Medical Foundation Representative: Wang, Ruey-Huei	97,599,254	5.79%	-	-	-	-	-	-	-
Yu Yuang Textile Co., Ltd. Representative: Hsieh, Ming-der	43,005,328	2.55%	-	-	-	-	-	-	-
Lai, Ming-hsiung	37,952,856	2.25%	8,255,291	0.49%	-	-	-	-	-
Chang Gung University Representative: Wong, Wen-yuan	37,130,116	2.20%	-	-	-	-	1.Chang Gung University, Chang Gung University of Science and Technology, Ming Chi Institute of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd	-
Chang Gung University of Science and Technology Representative: Wong, Wen-yuan	35,812,944	2.13%	-	-	-	-	1. Chang Gung University, Ming Chi Institute of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd	-

Name (Note 1)	Own shareholding		Spouse's/minor's Shareholding		Shareholding by nominee arrangement		The relationship of the top 10 shareholders who are related parties according to Financial Accounting Criteria No.6, spouses or within second degree of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ming Chi Institute of Technology Representative: Wong, Wen-yuan	31,427,255	1.87%	-	-	-	-	1. Chang Gung University Chang Gung University of Science and Technology, 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd	-
Taiwan Life Insurance Representative: Cheng, Tai-Keh	26,722,000	1.59%	-	-	-	-	-	-	-
Asia Pacific Investment Co., Ltd. Representative: Wilfred Wang	24,134,415	1.43%	-	-	-	-	Chang Gung University, Chang Gung University of Science and Technology, Ming Chi Institute of Technology	A relative within 2 <sup>nd</sup> kinship of director of Chang Gung University, Chang Gung University of Science and Technology, Ming Chi Institute of Technology	-
Chunghwa Post Co., Ltd. Representative: Wu, Hong-mo	15,868,000	0.94%	-	-	-	-	-	-	-

Note 1: List all the top 10 shareholders; for juridical-person shareholders, list the names of the juridical persons and their representatives.

Note 2: In calculating percentage of shareholding, take into account not only shares owned by shareholders themselves but also those owned under other others' names and those owned by their spouses and minor children.

Note 3: Aforementioned shareholders include juridical persons and natural persons and their relationship should be disclosed according to the guidelines for compiling the financial reports of issuers.

Note 4: Chairman of Chang Gung University, Chang Gung University of Science and Technology, Ming Chi Institute of Technology, and Asia Pacific Investment Co., Ltd. are directors of Chang Gung Medical Foundation.

**J. The amount of total shareholding of the company and the company's directors, managerial staffers, and directly or indirectly controlled enterprises in an invested enterprise and percentage of the shareholding.**

Unit: share; % 2022.12.31

Invested enterprises (note 1)	Investment by the company		Investment by the company's directors, managerial staffers, and directly or indirectly controlled enterprises		Total investment	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Formosa Advanced Technologies Co., Ltd.	135,686,472	30.68	4,185,038	0.95	139,871,510	31.63
Formosa Development Co., Ltd.	16,100,000	100.00	-	-	16,100,000	100.00
Quang Viet Enterprise Co., Ltd.	18,595,352	17.99	203,424	0.20	18,798,776	18.18
Formosa Taffeta ( Hong Kong) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta (Zhongshan) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta Vietnam Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Industries Co., Ltd.	-	10.00	-	42.50	-	52.50
Formosa Taffeta Dong Nai Co., Ltd.	-	100.00	-	-	-	100.00
Nan Ya Photonics Incorporation	7,013,871	15.22	-	-	7,031,871	15.22
Schoeller Textil AG	-	50.00	-	-	-	50.00
Formosa Taffeta (Changshu) Co., Ltd. (note 2)	-	100.00	-	-	-	100.00
Public More International Company Ltd. (note 2)	-	100.00	-	-	-	100.00

Note 1: Long-term investment based on equity method

Note 2: Company invested by subsidiary

## IV. Fund raising

### A. Capital and shares

#### (A) Source of share capital

Month/ year	Per Value (NT\$)	Approved share capital		Paid-in capital		Note		
		share	Amount (dollars)	share	Amount (dollars)	Sources of capital	Capital Increased by Assets Other than Cash	Other
July 2006	10	1,684,664,637	16,846,646,370	Same as left column	Same as left column	Capital increment with earnings	None	Note

Note: NT\$330,326,400 of capital increment with earnings in 2005, following approval by the Cabinet-level Financial Supervisory Commission (FSC No. 0950130979, July 17, 2006).

April 18, 2023

Unit: share

Kind of share	Approved share capital			Note
	Issued shares in circulation (note)	Un-issued shares	Total share	
Common share (registered)	1,684,664,637	—	1,684,664,637	—

Note: all listed shares on the stock market

Information on self-registration: not applicable

#### (B) Shareholder structure

April 18, 2023

Shareholder structure Amount	Government agencies	Financial institution	Other juridical person	Individual	Foreign institution and foreigners	Total
Number of shareholders	4	18	262	72,087	236	72,607
Shareholding (shares)	14,580,333	81,200,738	956,116,070	496,449,581	136,317,915	1,684,664,637
Shareholding ratio	0.865%	4.82%	56.754%	29.469%	8.092%	100.00%

Notes: Disclose of Chinese shareholding by companies with primary share listing on the stock market (over-the-counter market) and emerging enterprise market: Chinese shareholding refers to shares owned by people, juridical persons, groups, other institutions, or their invested companies in a third place, as stipulated in article 3 of the "Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan."

## (C) Shareholding distribution status

April 18, 2023

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Share)	Shareholding ratio
1~999	25,269	5,439,800	0.32%
1,000~5,000	32,362	72,254,592	4.29%
5,001~10,000	7,104	56,001,178	3.33%
10,001~15,000	2,424	30,967,965	1.84%
15,001~20,000	1,634	30,048,606	1.78%
20,001~30,000	1,366	35,016,095	2.08%
30,001~40,000	661	23,710,705	1.41%
40,001~50,000	376	17,488,930	1.04%
50,001~100,000	749	53,077,571	3.15%
100,001~200,000	354	50,426,914	2.99%
200,001~400,000	157	44,683,135	2.65%
400,001~600,000	45	22,592,465	1.34%
600,001~800,000	27	19,001,371	1.13%
800,001~1,000,000	13	11,677,313	0.69%
1,000,001 or over	66	1,212,277,997	71.96%
Total	72,607	1,684,664,637	100.00%

## (D) List of Major Shareholders

Major Shareholders	Share	Shareholding (Share)	Shareholding ratio
Formosa Chemicals & Fibre Corp.		630,022,431	37.40%
Chang Gung Medical Foundation		97,599,254	5.79%
Yu Yuang Textile Co., Ltd.		43,005,328	2.55%
Lai Ming-hsiung		37,952,856	2.25%
Chang Gung University		37,130,116	2.20%
Chang Gung University of Science and Technology		35,812,944	2.13%
Ming Chi Institute of Technology		31,427,255	1.87%
Taiwan Life Insurance Co., Ltd.		26,722,000	1.59%
Asia Pacific Investment Co., Ltd.		24,134,415	1.43%
Chunghwa Post Co., Ltd.		15,868,000	0.94%

Note: Shareholders ratio for the top ten shareholders

## (E) Market share price, net worth, earnings, stock dividends, and related data in recent two years

Unit: NT\$, share

Item \ Year		2021	2022	Current year as of March 31, 2023
Market share price (note 1)	Highest	34.50	29.50	28.35
	Lowest	28.00	25.50	26.40
	Average	30.65	27.10	27.53
Net worth per share (note 2)	Before distribution	37.00	33.15	32.89
	After distribution	36.00	31.65	-
Earnings per share	Weighted average number of shares		1,682,471,409	1,682,471,409
	Earnings per share (note 3)	Before adjustment	1.27	2.02
		After adjustment	-	-
Dividend per share	Cash dividend (note 9)		1.0	1.5
	Grant Stock	Stock grant with earnings	0	0
		Stock grant with capital reserve	0	0
	Accrued dividend (note 4)		-	-
Return on investment	Price earnings ratio (note 5)		24.13	13.42
	Price dividend ratio (note 6)		30.65	18.07
	Yield rate of cash dividend (note 7)		3.26	5.54

Note 1: Denotes the common shares with highest and lowest market value for each year, calculated for the average annual market value for the trading value of each year and the trading volume.

Note 2: Please use the number of share outstanding by the end of the year and filled out by the distribution of the resolutions made by the Shareholders' Meeting of the second year

Note 3: In the event of free allotment and requires tracing for adjustment, each EPS shall be listed before and after adjustment.

Note 4: In case the condition of outstanding equity security is distributed according to the undistributed dividends of that year accumulated to the year with earnings, the accumulated undistributed dividends of that year shall be disclosed respectively.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: Net worth per share and EPS shall be filled to the date of publication of the annual report with the data attested (reviewed) by the CPA in last quarter. The other columns should also be filled up data during the current fiscal year up to the date of publication of the annual.

Note 9: NT\$1.5 cash dividend and no stock dividend for distribution of 2022 earnings is a proposal, approved by the Board meeting on March 3, 2023.

(F) The company's dividend policy and execution status

1. Dividend policy

With business belonging to mature industry, the company retains stable profits, with dividend policy focusing on cash-dividend payout, capital increment with earnings, and capital increment with capital reserves. After deducting appropriations for legal reserve and special reserve, at least 50% of the distributable earnings of the current year is used in dividend payout, especially cash dividend. The combined amount of capital increment with earnings and capital increment with capital reserves should not exceed 50% of the dividend payout of the year.

2. Proposal for dividend payout at the shareholders' meeting

The Company distributed cash dividend NT\$1.5 per share, stock dividend NT\$0 per share, totaling NT\$1.5 dividend per share.

3. Expected major change in dividend policy: nil.

(G) Effect of proposal of stock grants at the shareholders' meeting on the company's business performance and earnings per share: not applicable (the company doesn't compile financial forecast).

(H) Compensations for employees and directors:

1. Percentage and scope of compensations for employees and directors specified in corporate charter: After settlement of final account, the resulting net profit, after deduction of business income tax, should be used in priority to cover accumulated loss of previous years, before appropriation of 10% of the balance as legal reserve and, if necessary, additional appropriation as special reserve, followed by appropriation for dividend. The remaining earnings, should it exist, would be combined with accumulated retained earnings of previous years for formulation of shareholder bonus payout by the directors for submission to shareholders' meeting for approval.

According to revised corporate charter approved by shareholders' meeting on June 24, 2016, if the company turns in a profit, after deduction of compensations for employees and directors, 0.05% to 0.5% of pretax profit would be appropriated for employee compensations and up to 0.5% for compensations for directors. However, if the company still has accumulated loss, appropriation should be made first on the profit to cover the loss.

2. Accounting for difference between the estimate as the basis for compensations for employees and directors and number of shares as the basis for stock payout as employee compensations and the actual payout value:

Estimate as the basis for compensations for employees and directors is made according to related law/regulation, the company's charter, and past experience. Difference between the estimate and actual payout value, if any, would be handled as variable in accounting and listed as profit/loss of next year.

3. Payout of compensations approved by the board of directors:

The company's board of directors passed the following resolution on March 3, 2023:

- (1) Cash payout of NT\$7,308,530 for employee compensation and NT\$3,654,265 for compensations for directors.

(2) No payout for employee compensation in the form of stock, with share of such payout in after-tax net profit and total employee compensation being zero.

4. Explain the difference, if any, between actual payout for compensations for employees, directors, and supervisors in previous year (including the number of shares and value of money paid out and stock price) and the recognized amount of compensations for employees, directors, and supervisors, the scale of difference, reason, and handling status: Status of execution of payout approved by shareholders' meeting of the company on June 24, 2022:

(1) Actual bonus payout in cash for employees reaches NT\$4,546,024 and NT\$2,273,012 for compensations for directors, with no stock payout;

(2) actual bonus payout for employees in the form of stock is zero, with share in capital increment with earnings being zero;

(3) after deduction of aforementioned payouts, earnings per share is imputed at NT\$1.27.

(4) there is no difference between the aforementioned actual payout and the payout plan approved by the board of directors.

(I) Share buyback by the company: nil.

**B. Issuance of corporate bonds: nil**

**C. Issuance of special shares: nil**

**D. Issuance of overseas depository receipts: nil**

**E. Issuance of employee stock option certificates: nil**

**F. Managerial staffers with acquisition of employee stock option certificates and names of top 10 employees with largest number of employee stock option certificates and status of acquisition and subscription: nil**

**G. Issuance of restricted stock awards: nil**

**H. Managerial staffers with acquisition of restricted stock awards and names of top 10 employees with largest number of restricted stock awards and status of acquisition: nil**

**I. Issuance of new shares for acquisition of other company or transfer of other company's shares: nil**

**J. Status for the execution of fund utilization plan**

(A) Contents of plan

1. Previous securities issuances or private share placements which have not been completed as of the date of the publication of annual report: nil

2. Plans in recent three years which have been completed but have yet to manifest significant benefits: nil

(B) Execution status

Analyze item by item the purposes of aforementioned various plan as of the quarter prior to the publication of the annual report, execution status, and comparison with anticipated benefits: nil



## **V. Business Status**

### **A. Business contents**

(A) Business scope (according to business items registered with the Department of Commerce, the Ministry of Economic Affairs)

1. The company's major business items are:

- ( 1)production and sale of nylon fabric and polyester fabric;
- ( 2)production and sale of the alveolar bone of umbrella rib and tyre cord;
- ( 3)manufacturing, processing, and sale of polymers and related products;
- ( 4)traditional combed cotton yarn, blended yarn, new functional yarn, special protective yarn, and woven fabric;
- ( 5)production and sale of protective textile devices, including: [1] bulletproof vest, jacket, helmet, shield, mask; abrasion-resistance fabric, and products with composite materials (sports devices, fishing gear); [2] industrial work clothes, including clothes with acid-, alkaline-, fire-, and high temperature endurance and reprocessed products using such textiles, including fire-fighting coat, anti-heat clothes for working in boiler room, and chemical-industry work clothes; [3] clean-room wares (sterilized clothes, surgical gown, medical wrapping cloth, anti-static electricity clothes), and sterilized clothes;
- ( 6)Information software and service and design, manufacturing, and sale of communications software/hardware and components;
- ( 7)management of recreational area, children's amusement park, park, camping ground, swimming pool, skating rink, zoo, and general sports ground and lease of gear for water recreational activities and yacht;
- ( 8)management of hotel and affiliated restaurant;
- ( 9)transactions in staples, artifacts, groceries, general merchandise, and apparels;
- ( 10)agency and production of domestic and foreign artistic and performing-art events;
- ( 11)running of gas stations for sale of gasoline, diesel oil, kerosene, and petroleum products in small package, plus lubricant oil for autos and motorcycle, as well as simple maintenance, car washing, auto and motorcycle products, convenience store, parking lot, operation of automatic vending machine, and entrusted operation of regular auto inspection;
- ( 12)other businesses except those forbidden or restricted by law/regulation.

The above are the major business contents of Formosa Taffeta Co., Ltd.

## 2.2022 Revenue distribution

Unit: NT\$1,000

Major products	Unit	Quantity	Amount	%
Oil products	Kiloliter	420,422	11,681,397	33.64
Polyamide/Polyester fabric	1,000 yards	245,817	14,253,335	41.05
Polyamide/Polyester Tire Cord	Metric ton	33,251	6,571,676	18.92
Special textile	1,000 yards	6,478	1,231,551	3.55
PE bags	Metric tons	3,649	264,683	0.76
Number of yarn	Pieces	9,098	676,058	1.95
Land development		-	3,140	0.01
Business recruitment		-	35,552	0.10
Commission income		-	5,293	0.02
Total		-	34,722,655	100.00

### 3.The company's existing products:

Filament polyamide/polyester woven fabric, spun woven fabric, filament and spun interwoven fabric, dyed check, Environmental protection copper amine rayon plain weave, polyamide /polyester tire cord, PE bag, combed cotton yarn, blended yarn, new functional yarn, special protective yarn and textile, Military uniform / police uniform / firefighting fabric, medical fabric, bullet-proof fabric, composite-material textile, Clean clothes/clean room work clothes fabric, gas-station service, daily-life products, and car-washing service.

### 4.New products planned to be developed:

Environment-protection materials, biomedicine products, textiles for senior citizens, development and application of nano-level materials, fluorine-free water-repellant fabric, multifunctional smart clothing fabric for temperature control and photovoltaic positioning , waterless dyeing technology, bluesign® polyamide textile featuring chemical-free processing, fireproof and anti-near infrared camouflage fabric, high visibility fireproof fabric, flame retardant fabric against molten iron splash, the development of the tablet for automated robotic arm and thermoplastic board for 3C.

## (B) Industry status

### 1.Polyamide/polyester dyed fabric

With the alleviation of the global pandemic, countries worldwide have successively lifted restrictive anti-pandemic measures and international travel and outdoor activities have gradually resumed, boosting demands for outdoor products. However, business outlook has been overshadowed by a number of

adverse factors, including global raw-material and energy prices hike, due to the effect of the Russia-Ukraine war; high inflation and interest rate hike in the U.S. and Europe, the world's major consumption markets, dampening purchasing power; China's zero-COVID policy, impacting local consumption and retailing. Consequently, international garment brands have had rather high inventory, affecting their order placement. Taking advantage of its intensified R&D and focus on products with high added value, Formosa Taffeta has utilized recycled materials to produce environment-friendly products with high added value, to augment its market competitiveness.

With global economic outlook still clouded by various uncertainties in 2023, the company will continue taking advantage of its edge of capacities of five factories in three areas, effectively adjusting product mix and consolidating supply chain, so as to grasp post-pandemic market trend and deepen strategic partnership with major international brands, plus development of differentiated niche products with high added value. The company will also continue raising first-time success rate by improving equipment and process and utilizing AI for dyeing-process module optimization, plus introduction of AOI cloth-face testing, so as to raise production efficiency, cut production cost, and attain energy conservation and carbon abatement, thereby further raising sustainability performance and achieving 2023 business target.

## 2. Tire cord fabric

(1) Industrial status and development: Domestic sales account for 33% of the Taiwanese factory's monthly output of 2,600 tons, with the remainder being shipped to Southeast Asia, India, Sri Lanka, the U.S., Korea, and Europe, while domestic sales and export accounts for 55% and 45%, respectively, of the Vietnamese factory's monthly output of 1,600 tons. Due to oversupply, the international market has been plagued by acute price competition for many years. In addition, Taiwanese firms have been faced with competition from imported tariff-free Chinese polyamine tire cord fabric on the domestic front but are denied preferred tariff treatment abroad, putting a damper on their price level for a long time. The Taiwanese factory's supply difficulty, however, is partially offset by increased export of the Don Nai factory in Vietnam, due to fewer tariff barriers, following Vietnam's accession to various tariff and trade organizations. In the first half of 2022, except the Chinese market whose demand was still curbed by the pandemic, demands in other markets have gradually recovered to pre-pandemic level, although raw material supply was hampered by global shipment problem, which prompted car and tire dealers to

advance their order placement, inflating demands. The phenomenon resulted in high inventory for tire factors in the second half, when shipment became normal gradually, prompting tire cord fabric customers to reduce their order placement and driving down sales. For entire 2022, sales of tire cord fabric dropped 25% in volume and 10% in value.

(2)Correlation among industrial upstream, midstream, and downstream sectors:

Tire cord fabric's main materials are polyamine 6, polyamine-66, and polyester high tenacity yarn, supplied mainly by Formosa Plastics Group and filament plants in Turkey, Indonesia, and China, mostly with integrated operation, supplying tire cord fabric as well, making them the company's partner and rival at the same time.

(3)Product development trend and competition: Due to low technological threshold for two-fold yarn, acute price competition from rivals, and adverse tariff treatment for Taiwanese products, Formosa Taffeta has gradually shifted tire cord fabric production to the Vietnamese factory, while raising the sales shares of such high-margin products as bicycle tire cord fabric, anti-stab fabric, and friction-resistant fabric by investing in related production equipment in both the Taiwanese and Vietnamese factories. In 2023, the company will actively develop recycled environment-friendly tire cord fabric and anti-stab fabric and raise product visibility by taking part in international exhibitions, so as increase market share and profits.

### 3.Functional yarn

(1)Industrial status and development: Most traditional yarn factories have besieged by high inventory at the mature markets of the U.S. and Europe nowmpening demands, and steep price decline. Luckily, Formosa Taffeta cotton weaving factory has managed to leading status on Taiwan's functional yarn market by adjustment of product mix, development of sophisticated high-margin niche products, and weeding out low-margin traditional yarns.

(2)Correlation among industrial upstream, midstream, and downstream sectors:

Via collaboration with entire supply-chain partners, including special chemical powder/fiber suppliers in the upstream, weaving/ dyeing and finishing/special processing factors in the downstream sectors, plus branded customers, develop custom sophisticated unique end products to cope with changeul consumption types.

(3)Product development trend: Via renovation of compound yarn spinning machines and replacement of engineering equipment with new ones, tap

high-end functional sportswear market further, as well as the markets of various industrial-use special protective clothes and textiles.

#### 4.Special fabric

- (1)Industrial status and development: In 2022, due to reduction of bidding cases in Taiwan, domestic sales of industrial fabric declined, but demands for fabric used in hi-tech factory buildings, anti-epidemic sterile gown fabric and isolation-gown fabric increased and shipment of anti-static electric fabric grew further, plus development of various Aramid blended fabric made of fireproof fiber, boosting export orders.
- (2)Correlation among industrial upstream, midstream, and downstream sectors: Short-fiber cotton for fireproof fabric is supplied by Europe, the U.S., Japan, and China, midstream suppliers covering yarn spinning, fabric weaving, dyeing and finishing, and laminating are located in Taiwan, China, India, Turkey, Europe, and the U.S., while downstream garment makers are situated in China, India, Southeast Asia, the Middle, Europe, and the U.S.
- (3)Product development trend and competition: With demands for anti-static electricity fabric slackening, due to slowdown in hi-tech factory construction on the pandemic, the company will develop its new applications in food industry, spray-painting clothes, and e-vehicle battery assembly uniform, to bolster sales. The company will also develop different mix proportions for the raw materials of fireproof fabric, so as to expand its sales outlets to medium- and low-price sectors, breaking the confinement of high-price sector, plus addition of such features as flexibility and comfort, environmental-friendly, fluorine-free, water repellent, and one-way moisture inducement, appealing to customers in different fields and price levels, thereby boosting market share for fireproof fabric. For industrial fabric, effort will focus on the development of high-strength high-tech new materials, in order to create new applications and meet market needs.

#### 5.Carbon-fiber composite material

- (1)Industrial status and development: In addition to consolidating existing customers, the carbon-fiber factory will continue developing special fabrics and new usages, to cope with rapid market changes and plural customer needs, thereby expanding supply volume.
- (2)Correlation among industrial upstream, midstream, and downstream sectors: Carbon-fiber textile and prepreg fabric belong to midstream semi-finished product processing sector, with raw materials supplied by Formosa Plastics

Corp.'s carbon-fiber factory and renowned Japanese carbon-fiber factories and downstream customers including bicycle component manufacturers, sports equipment manufacturers, ship materials manufacturers, composite material forming factories, building reinforcement firms, and robotic-arm manufacturers.

- (3)Product development trend and competition: Carbon-fiber fabric includes 1.5K, 3K, 12K, and 24K plain/twill fabric, resin prepreg fabric, and carbon flat and multi-layer fabric, suited to thermosetting and thermoplastic forming. The company's composite material factory is equipped with complete lab facilities, capable of providing testing data for reference by customers. Meanwhile, the company has collaborated with upstream and downstream partners in developing thermosetting/thermoplastic cases for 3C products, auto components/parts, and robotic arm, meeting customer needs in extending product depth and width, so as to boost sales.

#### 6.PE bags

- (1)Industrial status and development: With the plastic-bag industry being plagued by price competition for a long time, the company's composite-materials factory (packaging materials) has focused on the Japanese market with high regard on quality and acceptance of higher prices, which accounts for 85.5% of sales, followed by America with 13.6% and domestic sales in Taiwan with 0.9%.
- (2)Correlation among industrial upstream, midstream, and downstream sectors: Raw materials include high-density polyethylene grains and color concentrate, supplied by Formosa Plastics Corp., and plastic biomass extracted from sugar canes obtained from Brazil, via Toyota Tsusho Corporation, in compliance with the demand of Japanese customers. The factory handles film blowing, printing, and bag making, mainly for supplying vest bags, point-breaking bags, and garbage bags to supermarkets, mass merchandise stores, and convenience stores, for use by shoppers.
- (3)Industrial development trend and competition: Faced with increasingly rigorous environmental protection-related regulations and price competition on the world market, the factory will stick to its policy stressing product quality and continuing development of new environment-friendly materials.

#### 7.Formosa Taffeta gas station (106 stations)

- (1)Industry status and development: There were 2,514 gas stations in Taiwan as of the end of 2022 (source: the Bureau of Energy, the Ministry of Economic

Affairs), including 614 owned by CPC Corp., Taiwan directly, with the remainder being gas stations run by private enterprises, franchised stations, and independent stations.

- (2) Association among upstream, midstream, and downstream sectors of the industry: Gas stations are situated at the end of the channel of oil-product market, with oil products supplied by CPC Corp., Taiwan and Formosa Petrochemical Corp. mostly, as import volume is very low.
- (3) Development trend and competitive status: The competition among gas stations in Taiwan is fierce, and it is a highly mature market. The requirements for multiple services and SOP operations for station services must be higher than the peers in the industry. Upstream oil plants are also developing differentiated oil products. Formosa Petrochemical launched 95 Plus gasoline to make driving smoother, more fuel-efficient, strong horsepower, and faster acceleration. It has effectively reduced engine carbon deposits and pollution emissions. The increase of selection volume can be expected. The sales ratio of gasoline and diesel in Taiwan: gasoline accounts for about 70%, and diesel accounts for about 30%.
- (4) Engaged in the running of gas stations, retail of oil products, plus some auto and daily-life goods, and car-washing business, Therefore, the company has focused on the management of gas stations, including quality of services, personnel deployment, promotion of by-products, and car washing. The Company consistently strengthens SOP standard operations and training.

#### (C) The State of Technology and Research & Development

Year	Expense in R& D(NT\$)	Result
2022	232,203,493	1. Accomplishment on medical (epidemic prevention) fabrics development 2. Accomplishment on NOMEX NIR camouflage fabric development 3. ZDHC/ chemicals management and promotion project 4. Bio based (castor oil) coating waterproof breathable fabric 5. Sustainable functional fabric 6. Development of Aerobrane fabric 7. Recycled stretch yarn fabric 8. Recycled ultra durable fabric 9. Recycled composite cross section yarn fabric 10. Bio based nylon fabric 11. Taiwan textile federation collaboration 12. Eco-friendly yarn and tire cord development 13. Eco-friendly tire cord dipping recipe development
2023 Q1	54,139,112	1. Different shrinkage yarn cottony stretch fabric 2. Recycled bright yarn UV cut lightweight fabric 3. Ocean waste recycled nylon fabric

#### (D) Long- and short-term business development plan

1. Polyamide/polyester filament woven & dyed fabric

### 1.1 Short term

- (1) Take advantage of capacities of five factories in three areas and effectively utilize factory equipment and manpower deployment, to cut production cost and meet customer needs, thereby maximizing profits.
- (2) Materialize KPI (key performance index) benefits and SOP (standard operating procedure) operation, so as to avoid repetitive repair, rework, and abnormality, boosting product quality.
- (3) Intensify employee training via multi-dimension courses with rich contents, so as to enhance employees' professional value and corporate competitiveness.
- (4) Augment customer satisfaction and deepen collaboration with upstream and downstream supply-chain partners, so as to enhance competitiveness.
- (5) Materialized ESG (environment, social, governance) sustainability, improve equipment and product process, and cut energy consumption and emission, and respond to global environmental protection current via utilization of recycled materials and development of green products.
- (6) Utilize AI for dyeing-process module optimization to raise first-time dyeing success rate and introduce AOI cloth-face testing, thereby boosting production efficiency, cutting production cost, and attaining energy conservation and carbon abatement.

### 1.2 Long term

- (1) Visit branded customers on own initiative and attend various major exhibitions, integrate digital marketing platforms, grasp market trend, and deepen collaboration with branded customers, so as to raise product market share.
- (2) Extensively tap the four major end-market sectors, namely outdoor apparel, functional sportswear, fashion and leisure, and umbrella for both rainy and sunny day, especially high-margin differentiated custom products, so as to boost profitability.
- (3) Take advantage of the capacities of five factories in three areas and secure certification, thereby consolidating collaboration with supply-chain partners.
- (4) Effectively improve process or equipment for saving steam, water, power, and fuel, as well as carbon abatement, thereby cutting cost and raising investment benefits.



- (5) Actively engage in R&D and innovation, sustainability, and rapid response to meet customer demands, thereby enhancing mobility and competitiveness.

## 2. Tire cord fabric

### 2.1 Short term

- (1) Taiwan factory polyamine cord fabric: With sharp raw-material price hike dampening demand on the global tire market in 2022, it is difficult to maintain output and sales of polyamine cord fabric at previous level, due to insufficient supply of polyamine filament, although sales prices will stay high for the time being. The Taiwanese factory will further raise the sales share of high-end bicycle tire fabric and friction-resistant fabric, optimize product mix, and weed out low-price, negative-margin products, to raise overall profitability. With major markets including Taiwan, the U.S., Japan, Southeast Asia, India, and Europe, the company will continue developing, as well as securing orders for, fine-denier fabric for high-end bicycle tires. It will also transfer some orders from Taiwan to the Vietnamese factory, to sidestep tariff barrier for some products.
- (2) Polyester cord fabric: Having secured pledge from Nan Ya Plastics Corp. for sufficient polyester-filament supply, following alleviation of auto chip shortage, the company will step up effort soliciting orders from auto tire factories in Taiwan, South Korea, Serbia, Thailand, India, and Indonesia, so as to bolster sales volume and market competitiveness.
- (3) Other products with high added value: Increase sales of friction-resistant fabric, fine-denier fabric for high-end bicycle tire, anti-stab fabric, and other products with high added value, as well as carbon-fiber flexible steel-wire fabric for no-inner tube high-end highway bicycle tire.
- (4) Vietnamese factory: Newly installed production equipment for fine-denier cord fabric, friction-resistance fabric, and anti-stab fabric will start operation in 2023, for supply to nearby customers in Southeast Asia, thereby optimizing product mix and raising profitability.

### 2.2 Long term

To strengthen their management, the Taiwanese and Vietnamese factories began to overhaul their operations in 2021, including intensifying various management data analysis and improving management performance, thereby slashing failure cost and rationalizing production scheduling, plus precision cost analysis and control, increased equipment availability rate, and

formulation of various SOP documents and audio-visual teaching materials, in order to boost management performance of equipment, manpower, raw materials, and technology. In addition, the factories have endeavored to strengthen waste abatement and reduce waste-water discharge.

In sales, the Taiwanese and Vietnamese factories would supplement each other in production and sales, alleviating the impact of changes in the overall environment. Given Vietnam's accession to multiple free trade organizations, such as the ASEAN, RCEP, and CPTPP, plus signing of free trade agreement (FTA) with many EU member nations, the Vietnamese factory will take advantage of the preferential tariff treatment and step up effort making inroads into those market, while the Taiwanese factory will intensify development of high-margin niche products, to tap blue-sea markets.

### 3.Functional Yarn

#### 3.1 Short term

- (1)Find proper new fiber and integrate the special textile factory's advantages in technology and sales channel in consolidating presence in the high-tier protective fabric market and taping low- and medium-tier protective fabric market, the latter via collaboration with partners.
- (2)Continue alliance with major upstream raw-material suppliers and develop new products and usages with existing materials, so as to prolong product life.
- (3)Along with increase of blended yarn machines and maturity of manufacturing technology, meet the demanded volume of branded customers and curb wastage of various raw materials, thereby saving cost and boosting profitability.

#### 3.2 Long term

Introduce new hi-tech textile raw materials in the world, develop custom differentiated sustainable environment-friendly products, meeting end customers' plural needs, take advantage of factory's technological edge, and integrate upstream, midstream, and downstream products, in the hope of becoming key problem solver for functional short-fiber textiles in the Asia-Pacific region.

### 4.Carbon-fiber fabric

#### 4.1 Short term

- (1)Start from uniforms of servicemen (servicewomen), policemen, firefighters, and industrial-safety personnel in the development of fireproof fabric, application of MAPP process in uniform fabric and medical fabric, develop

post-pandemic fabric and seek new applications of carbon-fiber composite fabric, such as e-vehicle composite-material accessories, and seek product diversification, so as to boost sales.

- (2)As for raw materials, it needs to develop new materials, material quality, and rear-end processing. In collaboration with major raw-material suppliers and customers, tap European, the U.S., and Japanese markets, as well as emerging Asia-Pacific market and embrace plural-material strategy, in the hope of offering one-stop service to customers and meet market demands.
- (3)Collaborate with upstream and downstream partners in pushing products, and utilize digital marketing to attain plural sales channels, so as to enhance market share and sales value.

#### 4.2 Long term

In addition to integrating existing technologies, increase textile machines and upgrade technology via collation with major partners, and actively tap new product markets, while consolidating existing markets for fireproof fabric, anti-static electricity fabric, and industrial fabric, so as to enhance profits.

### 5. Carbon-fiber composite material

#### 5.1 Short term

Increase production equipment and raise prepreg fabric capacity, to fill customer order needs, and collaborate with dealers in expanding market.

#### 5.2 Long term

Develop carbon fiber-resin composite material, install new production equipment, tap auto, bicycle, and sports equipment markets, take advantage of professional composite material forming technology to collaborate with customers in developing and engaging in component production.

### 6. PE bag

#### 6.1 Short term

To cope with changes in environment protection-related regulations, develop biomass bags, to consolidate orders from existing customers and solicit new customers. Adjust purchasing volume for raw materials each time, in line with material price fluctuation, so as to cut material cost.

#### 6.2 Long term

Set sights on logistics and industrial packaging materials and develop new products, in line with the development of environment-friendly plastics, so as to attain transformation and sustainability.

## 7. Formosa Taffeta gas stations (106 stations)

### 7.1 Short term

- (1) Recruit customers by contract: Solicit bulk oil-consumption customers in the fields of agricultural machines and industries, so as to boost oil sales.
- (2) development plural payment instruments and intensify sales promotion, so as to stabilize existing customers and strive for new ones and enhance oil sales.
- (3) Offer sophisticated car-washing service and improve service quality, to increase revenue.
- (4) Adjust stocks, in line with price fluctuation.
- (5) Enhance corporate image, via engagement in community charity activities.
- (6) In line with increasingly strict supervision of gas stations by municipal governments, in terms of inspection of safety, equipment, and environmental protection, the company carried out online management of all the 106 stations, improving report of defects, reducing penalties, strengthening environmental protection, and assuring communal safety.

### 7.2 Long term

- (1) Phase out stations with lackluster performance, taking into account lease length and locations, so as to boost overall profits of gas station operation, expanding market share by increasing new stations.
- (2) To save manpower and meet customer demands, increase installation of self-service filling equipment, as part of the effort to fully automate the operation of gas stations, so that every station has self-service option to provide customer discounts.
- (3) Push co-brand card and membership card, to increase non-oil revenue and raise customer loyalty.
- (4) Diversify revenue sources, offer sales of urea, sales of the Company's own products, manual car washing and installation of charging and replacement power stations, etc.
- (5) With electric motorcycles have caused an increasing impact on the operation of gas stations, cautiously consider long-term countermeasures for the trend of electric vehicles and driverless cars, but environmental protection and carbon reduction that are conducive to Taiwan 's environment, are generally in response to technological changes.

## B. Market and production/sale status

### (A) Market analysis

#### 1. Major outlets and market shares

##### (1) Polyamide/Polyester filament dyed fabric

Formosa Taffeta's textile products are shipped mainly to four end markets: sportswear with 48.1%, outdoor functional wear with 41.7%, casual wear with 5.6%, and umbrella with 4.6%. Major customers are international renowned brands, with which the company has entered into strategic alliance, forming a tight supply chain along with apparel manufacturer customs, which covers product design, joint development of materials, fabric design, dyeing and finishing, and apparel. The company's fabric is supplied mainly to apparel plants in China, Hong Kong, Northeast Asia (South Korea, Japan), Southeast Asia (Vietnam, Indonesia, Thailand, Laos, Burma). Customers' continuing purchase volume and full purchase rates fluctuate along with performance for sales to branded customers.

##### (2) Tire cord

Sales outlets: Major outlets with shares (Taiwan plant & Dong Nai plant) are shown in the following table:

Area	Year	Taiwan	India	South east Asia	North east Asia	China	The U.S.	Others	Total
Sales share (%)	2021	20	16	39	5	8	5	7	100
	2022	19	12	42	7	6	6	8	100
Explanation	Calculation on yearly basis (Taiwan plant + Dong Nai plant)								

##### (3) Functional yarn:

1) Sales outlets: ratio between domestic sales and export and areas are shown in the following table:

Area	Year	Taiwan	Southeast Asia	South America	Others	Total
Sales share (%)	2021	83	9	3	5	100
	2022	71	17	12	0	100
Explanation	Calculation on yearly basis					

2) Traditional yarn accounted for 7.2% of the sales volume of the cotton weaving plant in 2022, with the remaining 92.8% for functional yarn. Therefore, developing the functional yarn will create more benefits.

3) Orders have been in decline, along with massive outward transplantation of downstream textile manufacturers in Taiwan, plus flooding of low-priced imported yarn on the domestic market, which challenging the

operation.

- 4) Intensify R&D on differentiated products, carry out vertical integration, in collaboration with upstream and downstream business partners, and focus on the production of functional protective yarn, thereby boosting market competitiveness.
- 5) Nimble adjust production equipment and product mix, grasp changeable fashion business opportunities, evade competition with imported bulk-specifications products, and tap high value-added sophisticated markets, keeping up edge of Taiwanese cotton yarn manufacturers.

(4)Special fabric

- 1) Sales outlets: Major outlets with shares are shown in the following table:

Area	Year	Taiwan	Europe & the U.S.	Asia Pacific	Total
Sales share (%)	2021	8	29	63	100
	2022	13	24	63	100
Explanation	Calculation on yearly basis				

- 2) Anti-static electricity fabric is shipped mainly to the European and Taiwan market.
- 3) The main market for flame retardant fabric is Asia-Pacific and the mid-east.
- 4) The main market for technical fabrics is in Taiwan and Southeast Asia .

(5)Carbon-fiber composite material

- 1) The Company's carbon fiber composite material factory is the only manufacturing plant in Taiwan that is equipped with production facilities of carbon fiber fabrics, epoxy resin prepregs, multi-axial carbon fiber fabrics, and compression molds that can meet the diverse needs of customers.
- 2) Domestic sales accounts for 78% and 22% for foreign sales. The export areas include Japan, South Korea, Thailand, mainland China, Australia, Canada, Middle and South America and Europe.

(6)PE bag:

In 2022, Japan accounts for 85.5% of the company's plastic bag sales, in terms of value, followed by America with 13.6% and Taiwan with 0.9%. While taking advantage of the company's market niche to meet needs of existing customers, the company will actively tap new customer sources, to raise market share. In production, take advantage of equipment improvement, assure product quality, so as to meet customer needs and raise customer satisfaction. In addition, endeavor to develop high-margin environment-

friendly products, to strengthen product mix and boost product competitiveness.

(7)Formosa Taffeta gas stations:

- 1) Market share: There were 106 Formosa Taffeta gas stations as of the end of 2022, whose oil supply volume per station was slightly lower the industry average, with market share reaching 3.0%. Taiwan's gas stations are divided into three groups, stations directly owned by CPC Taiwan (614 stations for 24.4% share); sub-groups of stations run by Formosa Taffeta, Formosa Oil, NPC, Uni-President Smile, Taiwan Sugar, and Shan-loong (each with 70-110 stations); and small-chain or individual stations.
- 2) Outlook for supply and demand and growth potential on the market: Under the oligopoly of CPC Taiwan and Formosa Petrochemical Corp., supply on the domestic oil-product market is not a problem. Formosa Petroleum Station still managed to remain profitable in 2022, despite worse-than-expectation sales, due to international oil price hike on Russia-Ukraine war, the effect of pandemic dampening, reducing the outdoor activities among Taiwanese people, and inflation and high international oil prices. Sales volume is expected to score slight growth in 2022, thanks to introduction of multiple payment methods, specific marketing programs, and launch of new gas stations.
- 3) Development of competition and countermeasures: Major competitive practices on the gas-station market include price cut, preferential rate for credit-card customers, and preferential charge for car washing, adopted by stations run by large business groups or chain stations in pushing various sales campaigns. As a member of Formosa Plastics Group, Formosa Taffeta gas stations boast the advantages of established brand, quality, systemized operation, availability of self-produced promotional items, preferential treatment for credit-card consumption, and logistics support. Consequently, the company has carved out a solid market share, especially in central and southern Taiwan. Faced with acute competition on the mature market, Formosa Taffeta gas stations will continue providing preferential rates to customers with cash or co-brand card payment and VIP card holders and pushing personnel training, 5S operation, and TPM management, plus promotion of self-service gas filling, monthly bills for agricultural-machinery and corporate customers, professional car-washing service, use of by-products in sales campaign.

2. Market sharers, demand-supply market outlook, growth potential, competitive edge, favorable and unfavorable factors for business outlook and countermeasures: Refer to aforementioned reports on various products and explanations in V. business status and I. business reports for shareholders of the pamphlet.

3. Market competitive status and countermeasure

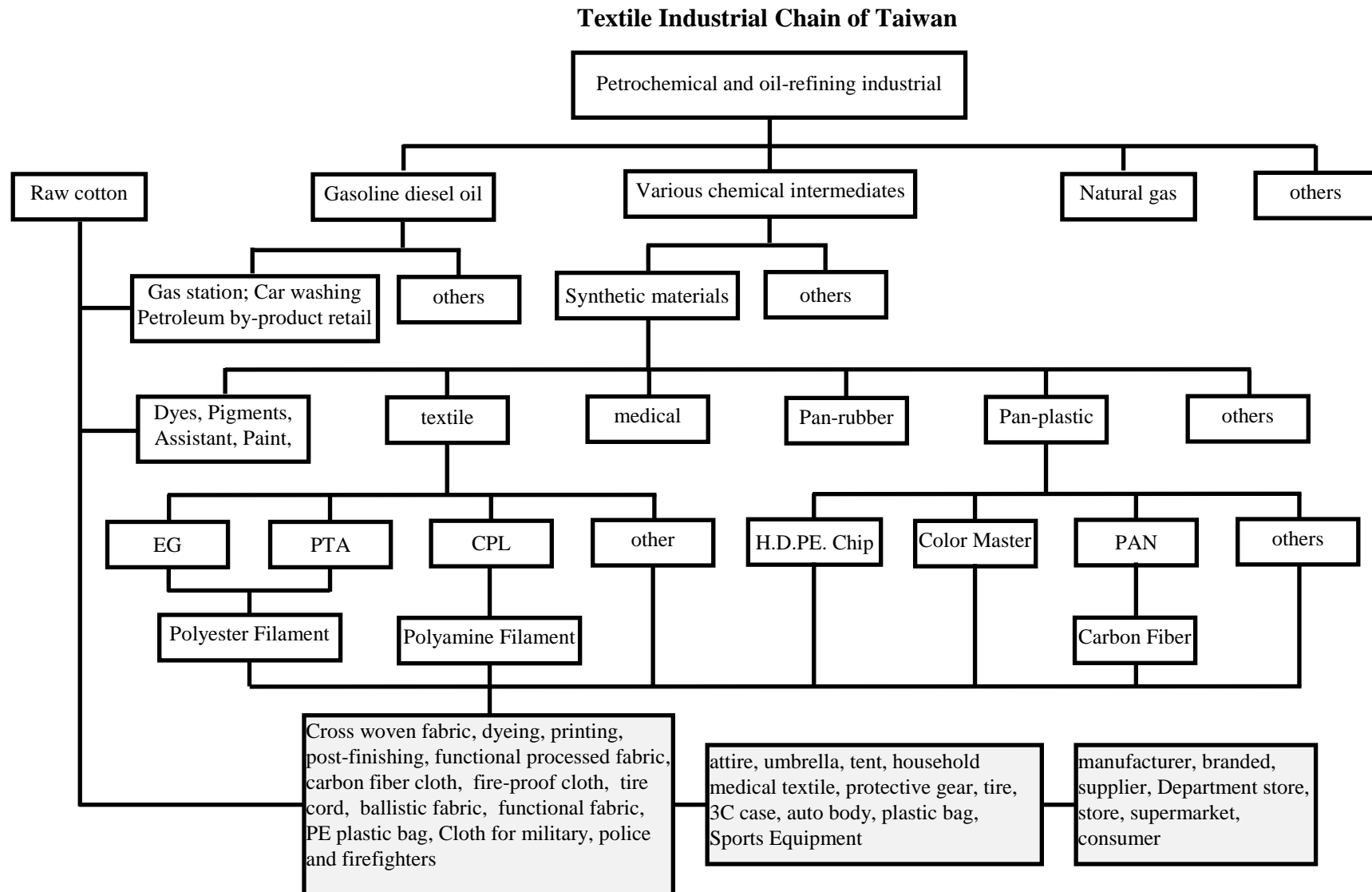
Except the B2C service of gas stations, all other products of the company are B2B Marketing model, for which the company has longstanding customers and enjoys the trust and acclaim of international branded final buyers. In line with the market trends, the company has been endeavoring to develop environmental, new functional and differentiated features products, plus insistence of quality and exploration of emerging markets, products, and customers to strengthen the business operation.

4. Linkage of supply chain

For years, the company has purchased 60% of raw materials from Formosa Plastics Group, without any concern about credit standing and transaction problems, and supplied over 60% of products to reliable longstanding and branded customers, assuring stable business.



Chart of the connection of the company' supply chains for up-, medium- and downstream materials and products



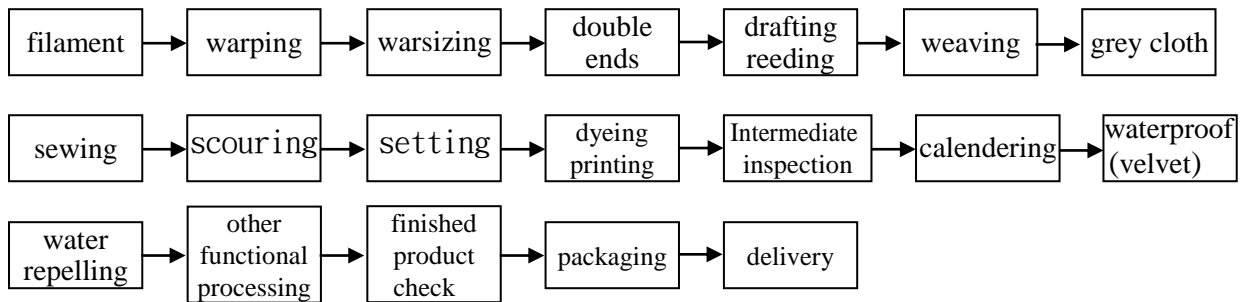
(B) Major purposes and production processes of various products

1. Major purposes of various products

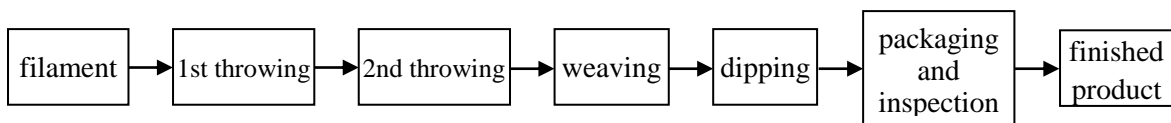
Product name	Major purposes
Polyamide fabric	Air-permeable raincoat, water-proof air-permeable snow coat, jackets, sleeping bag, down jackets, sportswear, hunting jacket, hat, tent, air mattress, golf umbrella, beach umbrella, wind sail, gloves, and anti-magnetic wave shields, Multifunctional smart clothing such as temperature control, light display, detection and positioning
Polyester fabric	Casual sportswear, ultra thin-fiber clothes, curtain
Cotton fabric, blended fabric, long- and short-fiber interwoven fabric, dyed check	Garment, jacket, shirt, knapsack, medical and sanitary fabric
Tire cord	Various kinds of tire cords, tire chafer, base cloth of conveyer belt, anti-stab fabric of bike tire, lining
PE bag	Shopping PE bag, point-broken roll garbage bag, sanitary bag
Combed cotton yarn, blended yarn	For production of various woven and knitted fabric, cotton and blended woven fabric, long- and short-fiber interwoven fabric, and dyed check
New functional yarn	For production of fabrics for various clothes, bedding, health-related products, casual sportswear, clothes and hats, overcoats, parasol (umbrella), as well as other kinds of woven and knitted fabric
Protective textile	Fire-proof fabric and fabrics for uniform of air-force pilot, tank-operator fatigues, clothes for task-force operatives, firefighter clothes, arc-welding work clothes
Special textile	Clean-room clothes for electronics, foodstuff, and pharmaceutical industries, surgeon clothes, wrapping fabric, anti- bullet and anti-stabbing fabric, helmet, shield, drum paper for speaker, magnetoelastic-wave fabric for stereo equipment
Carbon-fiber composite fabric	Materials for sports equipment, bicycles, motorcycles, autos, aeronautics, 3C products, industrial robotic arms and mechanical structures, construction reinforcements, and wind-turbine blades
Premium diesel oil, 98, 95 Plus, 92 unleaded gasoline, various kinds of engine oil, daily-life	Auto fuel oil, generator oil, lubricants, and maintenance and cleaning products

## 2. Production process of major products

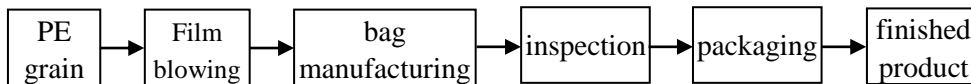
### (1) filament fabric :



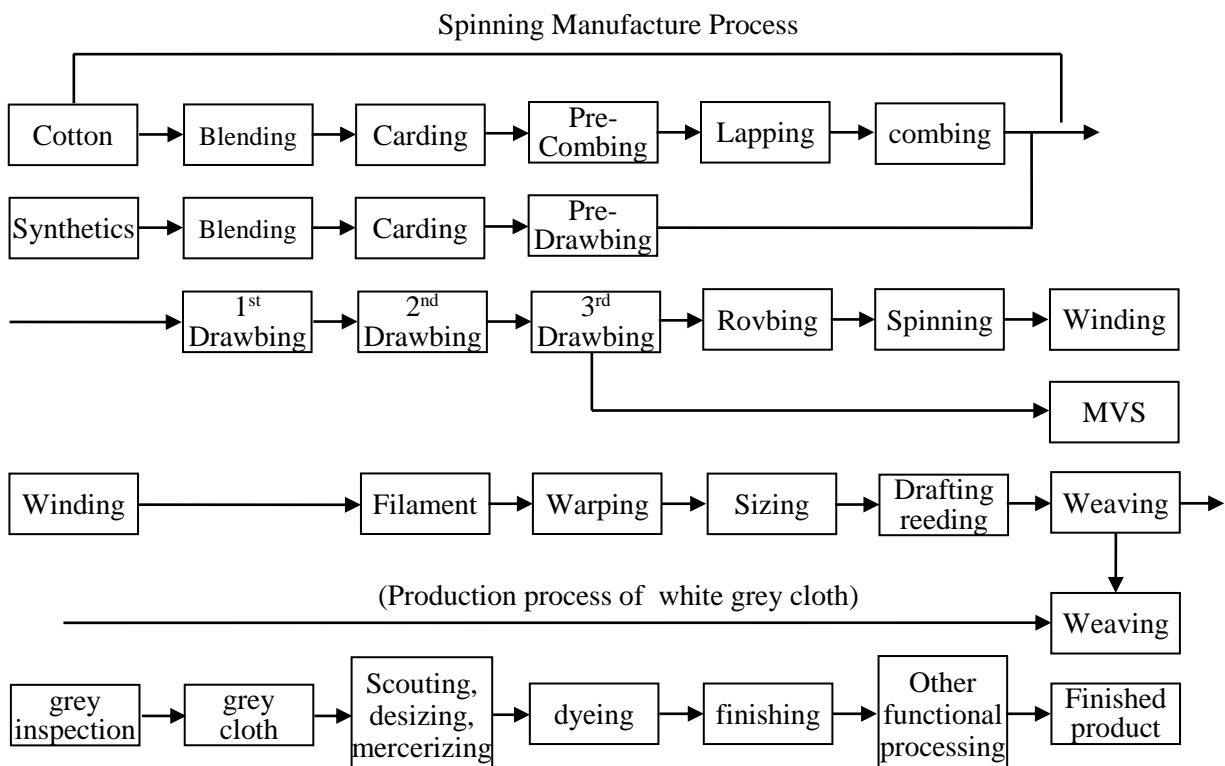
### (2)Tire cord:



### (3)PE bag:



### (4)spun fabric:



## (C) Supply status of major raw materials

Dec. 31, 2022

Unit: NT\$1,000

Kinds of raw materials	Unit	Quantity	Amount	Major suppliers
Tire- cord filament	Metric ton	26,055	3,454,963	Formosa Chemicals & Fibre Corp., Sheepon Company
Polyamide filament	Metric ton	8,242	833,672	Formosa Chemicals & Fibre Corp., Formosa Industries Corp., Far Eastern New Century
Polyester filament	Metric ton	5,309	476,239	Nan Ya Plastics Corp., Lealea Enterprise, Toray Industries, Sinkong Textile
Assistant	Metric ton	22,474	1,518,003	Farsmart Co., Ltd., Gore (Hong Kong), Global Shine Corp.
Polyester tire-core filament	Metric ton	2,561	136,169	Nan Ya Plastics Corp., New Site Industries
Cotton, polyester staple fiber	Metric ton	3,432	550,842	DuPont Taiwan, ZIG SHENG Industrial Co., Ltd.
Dye	Metric ton	5,035	605,650	Jinhuang, Taifeng, Xiejing
Grey cloth	1,000 yards	20,158	338,604	Qinjiashang, Suzhou Xinjincheng
Alkene	Metric ton	4,858	111,862	Formosa Plastics Corp.
Dressing compound	Metric ton	6,350	339,203	Lisong, Jinneng, Wenhao, Juhe

(D) Names of customers/suppliers accounting for over 10% of the procurement (sales) of the company in The two recent years, their values and shares

1.Names of major suppliers for procurements

The company's oil product division has been actively making deployment in oil-product channels and expanding the number of gas stations, in addition to responding to the demands of customers, resulting in the following changes:

Unit: NT\$1,000

Item	2021				2022				as of the first quarter of 2023 (note 2)			
	Name	Amount	%	Relations hip with issuer	Name	Amount	%	Relations hip with issuer	Name	Amount	%	Relations hip with issuer
1	Formosa Petrochemical Corp.	9,640,038	36.70	Stakeholder	Formosa Petrochemical Corp.	10,484,941	46.34	Stakeholder	Formosa Petrochemical Corp.	2,402,604	44.94	Stakeholder
2	Others	16,626,212	63.30	-	Others	18,801,901	53.66	-	Others	2,943,268	55.06	-
3	-	-	-	-	-	-	-	-	-	-	-	-
	Net Purchases	26,266,250	100	-	Net Purchases	29,286,842	100	-	Net Purchases	5,345,872	100	-

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

## 2.Names of major customers

Changes resulting from the need of market diversification, development of new customers, and changes of customer demands:

Unit: NT\$1,000

Item	2021				2022				as of the first quarter of 2023 (note 2)			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Others	32,799,007	100	-	Others	34,722,655	100	-	Others	7,652,703	100	-
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
	Net sales	32,799,007	100	-	Net sales	34,722,655	100	-	Net sales	7,652,703	100	-

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

## (E) Output Quantity and amount in recent two years

Unit: NT\$1,000

Major products \ Year \ output	Units	2022			2021		
		Capacity	Output Quantity	Output Amount	Capacity	Output Quantity	Output Amount
Polyamide/polyester fabric	yards	300,000,000	281,957,000	15,400,203	304,290,000	270,739,000	13,371,223
Polyamide/polyester tire cord	metric tons	48,802	33,919	6,688,281	52,413	43,988	7,228,018
PE bag	metric tons	3,960	3,630	263,295	4,560	3,742	243,329
Yarn count	pieces	10,296	10,278	736,595	18,396	13,450	532,800
Special fabric	yards	7,100,000	6,761,000	1,394,243	6,949,000	6,648,000	1,155,666
Total				24,482,617	-	-	22,531,036

Note 1. Capacity refers to production amount of the company's existing production equipment under normal operation, after excluding the factors of necessary suspension of operation and holidays.

## (F) Sales Quantity and amount in recent two years

Unit: NT\$1,000

Major products	Year Sales	Units	2022				2021			
			Domestic sales		Exports		Domestic sales		Exports	
			Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Polyamide/ Polyester fabric		yards	28,033,000	1,069,608	217,784,000	13,183,727	27,886,000	1,068,414	235,492,000	11,920,218
Polyamide/ Polyester tire cord		metric tons	6,494	1,599,358	26,757	4,972,318	8,658	1,814,589	33,662	5,229,014
PE bag		metric tons	627	32,412	3,022	232,271	936	46,472	2,823	197,965
Yarn count		pieces	7,238	424,040	1,860	252,018	11,169	391,747	1,437	117,932
Special fabric		yards	4,230,000	716,897	2,248,000	514,654	4,651,000	669,106	2,212,000	441,251
Petroleum product		kiloliters	420,422	11,681,397	0	0	427,106	10,811,504	0	0
Land development				3,140		0		4,531		0
Business Solicitation income				0		35,522		0		31,652
Commission income				5,293		0		54,612		0
Total				15,532,145		19,190,510		14,860,975		17,938,032



## C. Human Resources

Year		2021	2022	Current year as of March 31, 2023
Number of employees	Male	1,697	1,627	1,614
	Female	802	776	770
	Total	2,499	2,403	2,384
Average age		46.0	46.6	46.7
Average length of service		19.0	18.7	18.8
Distribution of Education %	Ph.D.	0	0	0
	Master	1.92	2.12	2.14
	Bachelor	39.82	40.07	40.43
	Senior High School	52.68	51.94	51.56
	Below Senior High School	5.88	5.87	5.87
Note	1. Additional employment of 447 foreign laborers, 234 contract laborers, and 1,093 gas-station workers in 2021. 2. Additional employment of 541 foreign laborers, 226 contract laborers, and 1,114 gas-station workers in 2022. 3. Additional employment of 511 foreign laborers, 235 contract laborers, and 1,092 gas-station workers as of March 31, 2023. 4. Statistics of average age and average years of service exclude foreign laborers, contract laborers, and gas-station workers.			

## D. Information on environmental-protection outlay

- (A) In the recent year and as of the date for the publication of the annual report, total value of the loss and handling cost for employee injuries from polluted environment and working environment:

Item	Year	2022	As of March 31, 2022
Compensation recipient or handling unit		Competent authority	Competent authority
Compensation value or handling status		NT\$663,000	NT\$ 0
Other loss		0	0
Explanation		Fine of NT\$663,000 for violating the regulation on 1 Air Pollution Control Act and 1 water pollution control Act.	

(B) Future countermeasures and possible outlays

1. Current and future improvement measures and countermeasures:

- (1) Carry out the registration operation in compliance with the law
- (2) Use the state-of-the-art control system and technology to reduce pollutants.
- (3) Continue carrying out operations for reducing air pollutants, and improve the operators' abilities.
- (4) Set up the alarm and emergency procedures in case of any emergencies.
- (5) Review the cause of the incident and establish standard operation procedure and implement regular trainings for employees to avoid occurring the same incident.

2. Plan for installation of pollution-abatement equipment within two years

Item \ Year	2022	2023
Plan to purchase pollution abatement equipment or contents of outlays	1.Substitution of natural gas for heavy fuel oil, entailing outlay of NT\$42 million for installation of new pipes and equipment renovation, cutting CO <sub>2</sub> emission 2.Reduction of raw coal consumption by 20,058 metric tons, cutting CO <sub>2</sub> emission 3.Further renovation and improvement of waste-water treatment equipment at NT\$20 million	1. Further substitution of natural gas for heavy fuel oil, entailing outlay of NT\$40 million for installation of new pipes and equipment renovation, cutting CO <sub>2</sub> emission. 2. Reduction of raw coal consumption by 23,100 metric tons, cutting CO <sub>2</sub> emission 3. Further renovation and improvement of waste-water treatment equipment at NT\$20 million 4. Installation of tap-water pipes at NT\$30 million
Expected improvement	In line with government policy, raise the share of usage of regenerated water, green power, and other green energies, cutting CO <sub>2</sub> emission and waste-water discharge	In line with policy, raise the share of usage of green power and other green energies, cutting CO <sub>2</sub> emission and waste-water discharge
Amount	62,000,000	90,000,000

3. Influence of measures responding to the implementation of EU Restriction of Hazardous Substances Directive (RoHS) on the company's finance:

In line with the spirit of corporate sustainable development, the company has strictly regulated and banned the use of various hazardous substances in production and operation, as a result of which RoHS has no major influence on the company's finance.

4. Environment Policy

- (1) Safety, Health, and Environment Policies

- Ensure compliance with relevant safety, health, and environment regulations and other reasonable demands of stakeholders.
- Make good use of the Safety, Health, and Environment Administration System to strengthen pollution prevention and reduce hazardous impacts.
- Promote hazard identification, risk evaluation, and risk control to prevent damage and health hazards.
- Promote energy conservation and reduction to reduce the impacts of environmental damage and hazards to health and safety.
- Strengthen neighboring relationships, establish good communication channels, enforce routine inspections, ensure reviews, and seek continuous improvements.

(2) Measures for reducing greenhouse-gas emission:

Dedicated unit conducts inventory and registration of greenhouse-gas emission and supports pushing of energy conservation and carbon abatement, decreasing CO<sub>2</sub> emission, in line with global environmental-protection trend. In 2022, 154 cases of energy conservation and carbon abatement were completed, reducing CO<sub>2</sub> emission by 74,873 tons/year. In addition, the Company holds ESG meeting to review the performance each month.

(3) Measures governing air-pollution abatement:

- Reduce pollutants of boilers and process equipment, such as Sox, Nox, VOCs, and dust and install new and effective recycling equipment, to raise pollutant-removal efficiency and reduce emissions.
- Install air-pollution abatement equipment for boiler and process, including static-electricity dust collector, wet-type flue gas desulfurization column, SCR smoke-exhaust denitrifying equipment, active-carbon and condensation-nucleus recycling absorber, and heat-storage incinerator.
- Conduct eriodic calibration and inspection of autonomous boiler smoke detection equipment and declaration of air-pollution fee.
- Replace a cleaner energy for boiler fuels to reduce the use of coal.

(4) Water pollution abatement management measures

The Company applies for discharge approval, formulates measures governing water pollution abatement, according to regulation, and enforces waste-water abatement to a level conforming the standard for waste (polluted) water discharge.

In compliance with environmental-protection law/regulation, the company has installed around-the-clock detection equipment for discharge at waste-water treatment plant, analyzing water quality and recording water volume, which is connected to the website of environment-protection agencies.

(1) Source management for waste water

Pertaining to facilities for waste-water collection, transmission, and advance

treatment, formulate regulations on operation, control, and monitoring of waste-water resources, so as to materialize source management for waste-water quality and quantity.

- a.facilities for collection, transmission, and advanced treatment of waste water from process and measurement;
  - b.facilities for collection, transmission, and advanced treatment of waste water from daily-life activities and measurement;
  - c.properly install separate sewer system;
  - d.monitoring of waste-water quality and quantity from various sources;
  - e.purchase low energy-consumption, low-pollution, and high-efficiency cutting-edge production equipment;
  - f.R&D on branded green products;
  - g.improve process to cut fresh-water consumption and install extra water-recycling equipment, to raise recycled-water utilization rate.
- (2)Management of waste-water treatment facilities:
- a.Management of waste-water quality and quantity:
    - a)setup of dedicated unit for managing waste-water treatment facilities;
    - b)application of permission for waste-water discharge and periodic declaration;
    - c)self-management via in-house and outside auditing units;
    - d)commissioning outside unit for help with various application documents and execution of periodic water-quality inspection;
    - e)Measures for installation and maintenance of autonomous CWMS continuous water-quality monitoring system for discharged waste water;
    - f)intensification of the management and control of separated discharge of rainwater and sewage and dismantling of aberrational pipelines by deadline.
  - b.Regulation on the operation and management of waste-water facilities;
    - a)regulation on the operation of waste-water treatment;
    - b)regulation on the discharge of waste water;
    - c)recording of waste-water treatment and online declaration;
    - d)declaration for water-pollution fee;
    - e)sludge treatment;
    - f)abnormality reporting;
    - g)monitoring of waste-water discharge and online connection.
  - c.Rainwater management: Inspection, maintenance, and operation of rainwater discharge pipe and rainwater channel and lock gate in public area and installation of separate sewer systems at head plant and second plant.
  - d.Recycling water system for weaving and dyeing process to improve the ratio of

recycling water.

#### 5. Waste management measures:

For recycling and reuse of resources, it is necessary to control waste disposal and reduce and classify waste in process before outsourcing waste disposal legally, with major management measures listed below:

##### (1) Waste classification and storage:

Wastes are classified into common trash, process wastes, and engineering wastes for separate storage before calculation of amount for registration and declaration. Storage containers must be in good shape, without filth, corrosion, leakage, or deformation and kept at sites with water (rain)-proof facilities and treatment facilities and labeling for waste water and foul gas. Sludge must be dried to cut water content before outsourcing for disposal.

##### (2) Waste disposal and treatment:

To assure legal reuse of final disposal of all wastes, pertinent management systems include:

a. formulate (revise) and update waste disposal plan according to law/regulation;

b. set up data on waste-disposal contractors;

c. standard procedure to assure completion of online waste declaration;

d. management of waste disposal plan to assure conformance of factory wastes to declaration data, in terms of items and quantity. In addition, for tracking the destination of wastes, require contractors to formulate procedure for tracking the progress of waste disposal, in conjunction with online declaration, plus spot check of waste-transport vehicles and requirement for contractors to provide online declaration documents when applying for disposal fees, to prevent illegal disposal of wastes.

#### 6. Toxic and concerned chemical substances control measures

The company has formulated "toxic and concerned chemical substances control measures," managing the operation of toxic and concerned chemical substances, so as to assure operational safety, avoid environmental pollution, and comply with legal requirements.

Related management and preventive measures:

(1) In addition to mandatory online reporting on purchase, usage, and storage of toxic and concerned chemical substances, strictly control storage volume, to cut hazard risk.

(2) Containers and packages should bear clear labels and there should be various warning notices or signs in usage or storage areas.

(3) Regular detailed inspection of emergency response devices with checklist, to assure the good operating status (including calibration and testing by outside firms)

(4) There should be bank preventing overflow in the storage area.

(5) Train on-site people to be familiar with the operation of various production equipment and standard operating procedure for handling toxic and concerned chemical substances.

- (6) Arrange regular education and training courses on toxic substance hazard for on-site people, to augment hazard response concept.
  - (7) Regular training and drill: Carry out two tests on response to toxic chemical substance accident without advance alert and one drill on response to toxic chemical substance accident every year.
7. Energy conservation and carbon abatement measures, inclusion of carbon credit into the company's carbon abatement planning:
- The company has been pushing energy conservation and carbon abatement measures for years, including improvement of process to cut energy consumption, energy recycling and reuse, substitution of high-efficiency motors, installation of inverters, substitution of energy-saving lighting, waste-heat recycling and reuse, enhancement of equipment efficiency, as well as other energy management and conservation measures. In July, 2022, the Company was committed on SBT website.

## **E. Labor-management relationship**

- (A) The company's various employee benefits, study and training, retirement system, plus execution status, as well as labor-management agreements and measures upholding labor rights and interests:
  - 1. Employee benefit measures
    - (1) Leave benefit
 

Provision of various leaves for employees, including special leave, marriage leave, funeral leave, official leave, work-related injury leave, maternity leave, election leave, sick leave, menstrual leave, personal leave, family-care leave
    - (2) Insurance benefit
 

Arrangement of the coverage of labor insurance and national health insurance for employees according to the law
    - (3) Retirement benefit
 

Monthly appropriations for labor retirement fund and labor retirement reserve fund, in preparation for retirement-fund payment for employees upon their retirement according to the law.
    - (4) Marriage and child-rearing benefits
      - a. Gift of cash for marriage or death of employees or relatives and subsidies for managerial staffers for the provision of such gift of cash.
      - b. Installation of nursery room, for breastfeeding by employees during work time
      - c. Provision of leave of absence for baby care, available for application by employees
    - (5) Health-care benefit
      - a. Regular physical examination for certain employees mandated by law every year.
      - b. For factory workers exposed to noise and other hazards to health, arrange special physical examination and carry out graded health management. The participation rate for

the examination has been 100% in past years.

- c.Subsidies for employees and relatives receiving treatment at Chang Gung Memorial Hospital, which also offers discounts for employees and relatives taking physical examination there, provision of health and hygiene information irregularly, and organization of lectures on health issues in factory premise.
- d.Establishment of medical room and full-time medical care staffers in the factory premises, and organization of health-care events irregularly, including health and weight management, promotion of quitting smoke, cancer screening, and disease prevention and health care.

(6)Daily-life benefits

- a.Provision of gift of cash for birthday, Labor Day, and Mid-Autumn Festival.
- b.Planning and subsidy for such activities as employee travel and year-end dinnery party.
- c.Installation of employee restaurant, dormitory for singles, and convenience stores in factory premises.
- d.Provision of scholarship for employees' children.
- e.Arrangement of designated stores where discounts are available.
- f.Setup of corporate kindergarten.

(7)Employee restaurant

- a.Subsidy for employees' meals daily
- b.Two times of extra dishes every month and employees on duty during Spring Festival

(8)Promotion of employee relationship

- a.Subsidy for activities of employee associations
- b.Organization of sports contents to encourage sports hobbies among employees.
- c.Awarding staffers with excellent performance with citation certificates or prizes.

(9)Personal and family care

- a.Provision of work clothing or money for work clothing every year.
- b.Setup of employee mutual assistance committee, with regular corporate contribution, providing grants to employees for marriage, death, disablement, child birth, and medical treatment, as well as death, medical treatment, marriage of family members, and education loans for children, according to measures of the committee.
- c.Compensation for death of employee according to death compensation measures.

2.Employee study and training

The company has regarded employee education and training highly, with its training system including pre-job training for newcomers, job-related basic training, job-related professional training, and training for managerial candidates. Annual education and training plan has been formulated and executed, plus evaluation of the results. Moreover, to facilitate internationalization of operation, language training, mainly for English and Japanese, has been held.

3.Retirement system

(1)Application for retirement

- a.Age 55 or higher with over 15 years of service
- b.Over 25 years of service, regardless of age
- c.Age 60 or higher with over 10 years of service

(2)Mandatory retirement

- a.Age 65 or over
- b.Unsuited to job, due to mental or physical disability

(3)Options for retirement payment

- a.Employees with the starting year of service before June 30 2005 has the option of choosing the retirement payment, calculated according to the "Labor Standards Act." For those who chose the retirement payment calculated according to the "Labor Pension Act" before June 30, 2010, the retirement payment for the portion of service years covered by the act will be calculated according to the stipulations of the act, with the retirement payment for the previous service years still being calculated according to the "Labor Standards Act." For service years covered by the "Labor Pension Act," the "Labor Standards Act" is not applicable.
- b.Employees joining the company after July 1, 2005 are all subject to the stipulations on retirement payment of the "Labor Pension Act."

(4)Calculation criteria for retirement payment

- a.Retirement payment is calculated by multiplying the average pay in the six months before retirement with base number, at maximum of 45, calculated according to article 55 of the "Labor Standards Act."
- b.Employees mandated to retire due to job-induced mental or physical disability are entitled to 20% markup on retirement payment calculated according to "Labor Standards Act."
- c.For employees covered by the Labor Pension Act," the company would appropriate 6% of their monthly pays for deposits into their personal
- d.labor-retirement accounts, to be withdrawn by them at age 60 via application with the Bureau of Labor Insurance, according to article 24 of the act.

(5)Application method for retirement

- a.Retirement applications must fill out two copies of "voluntary (mandatory) retirement application form," to be submitted, along with proof documents, to superiors for approval.
- b.For mandatory retirees, the retirement application form would be filled out by the human-resource department.

4.Status of the execution of employee benefit measures and retirement system: good

The aforementioned employee-related measures have been executed faithfully, with good results. In addition to regular provisions for new and old retirement funds every month, the company examines the balance in the account of labor retirement reserve fund at the



end of every year, to assure the amount is sufficient to cover retirement payments in the coming year. The number of retirees in 2022 reaches 74.

5. Status of labor-management agreement: good

- (1) Labor-management meeting has been convened periodically, when labor and management representatives would discuss a wide range of issues, including labor-management relationship, promotion of labor-management cooperation, improvement of labor conditions, planning for labor benefits, and improvement of work efficiency.
- (2) Formulate work rule and personnel management rule, setting definite regulations on the rights and obligations of laborers and management, to help employees understand and uphold their rights and interests.
- (3) In line with legal requirements for labor safety, conduct physical examination for employees regularly, institute staffers in charge of labor safety and hygiene, and formulate various rules governing labor safety and hygiene, so as to prevent accidents and disasters and uphold employee safety.

6. Status for upholding various labor rights and interests: good

Based on the spirit of safeguarding employees' work rights and interests, set up integrated manpower mechanism, featuring job reassignment rather than layoff during business slowdown, which would be conducted after oral notice and according to set procedure. The company complies strictly with domestic and foreign norms on labor and human rights and institute a mechanism for regular communications with employees, notifying employees business changes with possible major consequences and treating all employees fairly, including:

- (1) Formulate labor conditions according related labor laws/regulations.
- (2) In line with the "Employment Service Act," provide job opportunities to all job seekers in an open, fair, and just manner.
- (3) Set up multiple channel for complaints by employees on infringement on or improper handling of their rights and interests.
- (4) Set up reward and punishment committee, consisting of various senior managers, for discussion and resolution on proposals of major rewards and punishments, for which related employees can appeal within seven days after publication.
- (5) Promote prevention of sexual harassment, formulate "measures against sexual harassment," and provide channels for complaints by employees on the issue.
- (6) Formulate "measures governing handling of complaints by internal and external stakeholders," offering smooth channels for complaints by internal and external stakeholders (including employees) on improper and unfair treatment or encroachment on rights or interests. Complaints expressed via such channels, including complaint box, dedicated complaint phones, and complaint e-mail address, are handled promptly. Employees can also put forth proposals at regular labor-management meetings and the

meetings of employee benefit committee, an arrangement which can promote a harmonious labor-management relationship and contribute to the company's sustainable development. Complaint boxes are installed at spots frequented by employees, enabling employees to request assistance for job- or daily life-related problems, which are handled by designated staffers.

(B) Loss caused by labor-management disputes in the recent year and as of the date for the publication of the annual report

1. Status of labor-management disputes

Loss resulting from labor-management disputes in the recent year and as of the date for the publication of the annual report: nil

2. Value of loss: nil

3. Anticipated loss in the future

Given good labor-management relationship, as evidenced by rare labor-management disputes, it is predicted that chance for loss resulting from labor-management dispute in the future is slim.

4. Countermeasures:

Given increasing labor-right awareness, plus respect for labor dignity, confrontation can only be removed via intensified communication. As a result, the company has been striving to understand the opinions and employees' needs through various methods and channels. To ward off possible disputes, in case of revision of law/regulation and government policy, the company has communicated and coordinated with labor union, to attain consensus, in addition to revising corporate regulations accordingly.

## **F. Information and Cyber Security Management**

1. The policies and specific management schemes on cyber security formulated and resources invested in the management of cyber security by the Company:

In order to ensure the security and stability of the information network and avoid the abnormality of the information system and the damage of computer data which may cause the company's business to be terminated. In 2022, the Company formulated the regulations on information security management, regulations on information security managing organization, guidelines on implementing information security management, regulations on information assets management, regulations on information security risk assessment, regulations on managing the information security incidents, regulations on commissioning the information security for management, regulations on system and cyber security safety management, which specified the management standards of the Company's information system, network and personal computer operations, and the safety code of conduct for employees' access to the Internet and mail, so as to ensure the information security of the Company and to satisfy the requirements of the laws and relevant information security regulations to the greatest extent. The information and communication security risk management framework, information and communication security policies, specific management plans and resources devoted to

information and communication security management by the Company in 2022 are described as follows:

(1)The structure of the information security management:

In accordance with the requirements of the “Regulations Governing Establishment of Internal Control System by Public Companies” issued by the Financial Supervisory Commission on December 28,2021, and the operating guidelines of the “Guidelines on Information and Communication Security Control for Listed and OTC Companies” issued by the Taiwan Stock Exchange on December 23, 2021, the Company appointed Chief Information Security Officers in July 25,2022. Designated information security units, supervisors and personnel were assigned in order to supervise the execution of internal information security management business and periodically hold information communication security management review committee to review the implementation and result of information security control measures and implementation of information security management business coordination. It is also coordinated with the information team in IT department to integrate the division of work and consistency of execution as well as the dispatch of the Company’s resources.

(2)Information security policy:

- Comply with legal requirements and promote information security awareness.
- Attach importance to risk management and protect data security.
- All employees are required to participate and pursue continuous improvement.

(3)Information Security Control Measures:

- A multi-layered in-depth framework used to build firewalls, intrusion prevention systems (IPS), malicious URL filtering and advanced persistent threat defense (APT) are being adopted to prevent malicious attacks from external networks.
- Set up employee Internet access, e-mail and personal information/sensitive data loss prevention mechanisms to prevent improper disclosure or leakage of personal and sensitive information, and prevent internal systems from being implanted with malicious programs.
- Require password changes every three month and enable password complexity settings to strengthen authentication for system logins.
- Install anti-virus software on the computer, update virus patterns and security patches in real time, establish security access policies, and control the connection and access of USB devices to strengthen endpoint detection and response capabilities.
- Interpretation and analysis of system logs, real-time warning of abnormality, and emergency response to avoid increased threat and risks.
- The computer room and other information infrastructures are equipped with access control and CCTV systems. Backup systems, uninterruptible power supply and fire protection facilities are regularly simulated and drilled to strengthen physical security.

- Set up web application firewall to protect the operation for the external service website and enhance the security of the company's website.
- Establish static application security testing system to inspect the vulnerability of self-developed application and to enhance its security.
- Regularly scan and test for the vulnerability for the web application programming and system platform in connection with the external server to avoid being hacked or attacked.
- Conduct regular training and testing for employees annually to strengthen the employees' awareness of cyber security risks.
- Review security measures and regulations annually, pay attention to security issues and its developments, and draw up response plans to ensure its appropriateness and effectiveness.

(4)Information Security Education Training and Publicity Implementation in 2022:

- A total of 17 people in the company completed the MIS center's internal training course on "information security management principles."
- 4 Employees were designated to attend the training of "guidelines to introduce the information security management by Financial Supervisory Commission," with 28 training hours.
- An employee was assigned to seminar of "practices on checking the information operation," with six training hours.
- In 2022, six promotions on information security were conducted, including how to prevent hacking attacks and the cases recently happened around the world.

(5)Resources invested in information security management:

- Appoint the chief of information security, set up a dedicated information security management unit and allocate information security personnel.
- Formulate and announce the information security management rules, methods, and guidelines.
- Cooperate with the general management office in the annual scheduled third-party red team offensive and defensive drills, and improve and strengthen the deficiencies after the drills.
- Evaluate the introduction of ISO 27001, and consult the specialists. Expect to complete the third-party assurance in 2023 and obtain ISO 27001:2013.
- Quarterly perform the vulnerability scan of website and system platform, and improve the deficiencies.
- Update the firewall equipment and software, and set up the DMZ network.
- Implement trainings for information security personnel, and provide professional trainings such as firewall, software and hardware trainings.
- Conduct drills for corresponding and reporting incidents of cyberattack.

-Plan and implement employee information security awareness and information security training courses for information professionals.

**If the possible impact and countermeasures caused by a major information security incident cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated: The company has not had any major information security events in the most recent year and as of the date of publication of the annual report.**

**G.Important contracts: nil**

## VI. Financial status

### A. Brief balance sheet, comprehensive income statement, names of certified public accountants, and auditing opinions in recent five years

(A) Brief balance sheet and comprehensive income statement of consolidated financial report

#### 1. Brief balance sheet of consolidated financial report

Unit: NT\$1,000

Year Item		Financial data in recent five years					Financial data of current as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022 (Note 1)	
Current assets		23,771,559	17,512,757	15,579,258	17,693,888	19,948,346	19,043,134
Property, plant, and equipment		18,770,958	12,698,739	12,322,002	11,541,908	11,529,353	11,837,373
Intangible assets		-	-	-	-	-	-
Other assets		50,483,976	50,550,377	51,560,798	52,106,392	43,932,136	45,833,080
Total assets		93,026,493	80,761,873	79,462,058	81,342,188	75,409,835	76,263,587
Current liabilities	Before distribution	9,191,230	8,482,750	7,666,097	7,905,048	8,633,765	9,927,043
	After distribution (note 2)	12,729,026	12,694,412	9,350,762	9,589,713	11,160,762	9,927,043
Non-current liabilities		8,886,573	8,005,223	10,312,373	11,193,281	11,008,855	11,006,689
Total liabilities	Before distribution	18,057,803	16,537,973	17,978,470	19,098,329	19,642,620	20,933,732
	After distribution (note 2)	21,595,599	20,749,635	19,663,135	20,782,994	22,169,617	20,933,732
Equity attributable to owners of the parent		68,913,204	64,219,249	61,483,588	62,243,859	55,767,215	55,329,855
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital surplus		1,268,860	1,289,642	1,297,081	1,301,769	1,338,658	1,333,308
Retained earnings	Before distribution	19,525,220	21,091,868	19,003,712	19,336,630	21,096,936	18,651,542
	After distribution (note 2)	15,987,424	16,880,206	17,319,047	17,651,965	18,569,939	18,651,542
Other equity interest		31,291,978	25,010,157	24,355,213	24,777,878	16,504,039	18,517,423
Treasury stocks		(19,500)	(19,064)	(19,064)	(19,064)	(19,064)	(19,064)
Non-controlling interest		6,055,486	4,651	-	-	-	-
Total equity	Before distribution	74,968,690	64,223,900	61,483,588	62,243,859	55,767,215	55,329,855
	After distribution (note 2)	71,430,894	71,430,894	60,012,238	60,559,194	53,240,218	55,329,855

Note 1: The financial information for 2022 was verified by the accountant, and the financial information for the first quarter of 2023 was verified by the accountant.

Note 2: The post-allocation data for 2022 is estimated based on the surplus distribution plan approved by the board of directors on March 3, 2023.

## 2. Comprehensive income statement of consolidated financial report

Unit: NT\$1,000

Year Item	Financial data in recent five years					Financial data of current as of March 31, 2023 (Note 1)
	2018	2019	2020 (note 2, 3)	2021 (note 1)	2022 (note 1)	
Sales revenue	35,759,528	36,647,721	28,783,492	32,799,007	34,722,655	7,652,703
Net operating margin	3,546,752	3,721,319	3,012,827	4,173,570	3,768,751	802,522
Operating profit	884,133	1,066,098	576,346	1,550,167	1,269,825	224,168
Non-operating income and expenses	3,645,274	4,096,075	1,686,216	837,188	2,436,389	101,491
Profit before income tax	4,529,407	5,162,173	2,262,562	2,387,355	3,706,214	122,677
Profit for the year from continuing operations	3,900,407	4,625,213	2,095,790	2,143,167	3,404,981	81,603
Profit from discontinued operations	1,420,293	1,204,254	(484)	-	-	-
Profit for the year	5,320,700	5,829,467	2,095,306	2,143,167	3,404,981	81,603
Other Comprehensive income (Income after tax)	(3,151,652)	(6,364,452)	(626,986)	297,081	(8,233,849)	2,013,384
Total comprehensive income (loss) for the year	2,169,048	(534,985)	1,468,320	2,440,248	(4,828,868)	2,094,987
Profit (loss) attributable to owners of the parent	4,737,406	5,188,729	2,095,548	2,143,167	3,404,981	81,603
Profit (loss) attributable to non-controlling interest	583,294	640,738	(242)	-	-	-
Comprehensive income (loss) attributable to owners of the parent	1,730,196	(1,175,723)	1,468,562	2,440,248	(4,828,868)	2,094,987
Comprehensive income (loss) attributable to non-controlling interest	438,852	640,738	(242)	-	-	-
Earnings per share (NT\$)	2.82	3.08	1.25	1.27	2.02	0.05

Note 1. The financial information for 2022 was verified by the accountant, and the financial information for the first quarter of 2023 was verified by the accountant.

- The company passed a resolution of the board of directors on December 13, 2019 to approve the 16% equity of Formosa Advanced Technologies Co., Ltd, and completed the equity transfer procedure on December 16, 2019. After the disposal, the group's shareholding ratio was 30.68% and There is no substantial control, so the consolidated turnover and profit amount are re-expressed according to the regulations.
- At the meeting of the board of directors on 17<sup>th</sup> Oct, 2019, it was approved to sell the Schoeller F.T.C. (Hong Kong) Co., Ltd. to Schoeller Textil AG; the transfer was completed on 9<sup>th</sup> April, 2020. Therefore, the consolidated revenue and profits were restated.

## (B) Brief balance sheet and comprehensive income statement of individual financial report

## 1. Brief balance sheet of individual financial report

Unit: NT\$1,000

Year Item		Financial data in recent five years				
		2018	2019	2020	2021	2022 (note 1)
Current assets		11,090,040	11,138,323	9,783,820	11,057,686	13,218,130
Property, plant, and equipment		6,785,900	6,478,848	6,339,354	6,054,424	5,865,967
Intangible assets		-	-	-	-	-
Other assets		62,614,563	57,763,020	58,678,588	59,587,887	52,314,856
Total assets		80,499,503	75,380,191	74,801,762	76,699,997	71,398,953
Current liabilities	Before distribution	2,953,605	3,245,897	3,073,268	3,332,225	4,692,974
	After distribution (note 2)	6,491,401	7,457,559	4,757,933	5,016,890	7,219,971
Non-current liabilities		8,632,694	7,915,045	10,244,906	11,123,913	10,938,764
Total liabilities	Before distribution	11,586,299	11,160,942	13,318,174	14,456,138	15,631,738
	After distribution (note 2)	15,124,095	15,372,604	15,002,839	16,140,803	18,158,735
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital surplus		1,268,860	1,289,642	1,297,081	1,301,769	1,338,658
Retained earnings	Before distribution	19,525,220	21,091,868	19,003,712	19,336,630	21,096,936
	After distribution (note 2)	15,987,424	16,880,206	17,319,047	17,651,965	18,569,939
Other equity interest		31,291,978	25,010,157	24,355,213	24,777,878	16,504,039
Treasury stocks		(19,500)	(19,064)	(19,064)	(19,064)	(19,064)
Total equity	Before distribution	68,913,204	64,219,249	61,483,588	62,243,859	55,767,215
	After distribution (note 2)	65,375,408	60,007,587	59,798,923	60,559,194	53,240,218

Note 1: The financial information for 2022 was verified by the accountant.

Note2: The post-allocation data for 2022 is estimated based on the surplus distribution plan approved by the board of directors on March 3, 2023.



## 2.Comprehensive income statement of individual financial report

Unit: NT\$1,000

Year Item	Financial data in recent five years				
	2018	2019	2020	2021	2022 (note 1)
Sales revenue	27,593,484	27,468,794	21,524,891	24,490,081	26,182,568
Net operating margin	2,150,618	2,212,089	2,104,229	2,849,599	2,757,647
Operating profit	223,793	280,100	243,559	865,618	798,431
Non-operating income and expenses	5,031,969	5,313,287	1,946,664	1,400,575	2,844,871
Profit before income tax	5,255,762	5,593,387	2,190,223	2,266,193	3,643,302
Profit for the year from continuing operations	4,737,406	5,188,729	2,095,548	2,143,167	3,404,981
(Loss) profit from discontinued operations	-	-	-	-	-
Profit for the year	4,737,406	5,188,729	2,095,548	2,143,167	3,404,981
Other Comprehensive income (Income after tax)	(3,007,210)	(6,364,452)	(626,986)	297,081	(8,233,849)
Total comprehensive income (loss) for the year	1,730,196	(1,175,723)	1,468,562	2,440,248	(4,828,868)
Earnings per share (NT\$)	2.82	3.08	1.25	1.27	2.02

Note 1: The financial information for 2022 was verified by the accountant.

(C) Names of certified public accountants and auditing opinions

Year	CPA for certification	Auditing opinion
2018	Wu Han-chi, Chou Chien-hung	Without reservation opinions
2019	Wu Han-chi, Chou Chien-hung	Without reservation opinions
2020	Wu Han-chi, Liang Hua-ling	Without reservation opinions
2021	Wu Han-chi, Liang Hua-ling	Without reservation opinions
2022	Juanlu Man-yu, Wu Han-chi	Without reservation opinions

Note: In line with change in the organization and job positions of PwC, CPA Liang Hua-ling has been replaced by CPA Juanlu Man-yu for the certification for the company's financial statements since Q1, 2022.

## B. Analysis of finance in recent five years

### (A) Analysis of consolidated financial report

Unit: NT\$1,000

Analysis items (note 2)		Year	Financial data in recent five years					Current year as of March 31, 2023 (note 1)
			2018	2019	2020	2021	2022 (note 1)	
Financial structure	Liabilities to assets ratio (%)		19.41	20.48	22.63	23.48	26.05	27.45
	Long-term fund to property, plant, and equipment ratio (%)		446.62	569.18	582.66	636.27	579.18	582.54
Debt repayment ability	Current ratio		258.63	206.45	203.22	223.83	231.05	191.83
	Quick ratio (%)		158.90	103.10	108.47	116.52	116.36	98.45
	Times interest earned		21.13	23.54	14.49	16.22	18.36	2.39
Operating performance	Average collection turnover (times)		6.89	8.30	8.61	9.17	10.18	10.37
	Average collection days		52.97	43.97	42.39	39.8	35.85	35.19
	Average turnover (times)		3.75	3.92	3.45	3.88	3.55	2.98
	Average payable turnover (times)		10.87	11.89	10.44	11.64	12.53	13.97
	Average days of sales		97.33	93.11	105.79	94.07	102.81	122.48
	Turnover of property, plant, and equipment		2.00	2.33	2.30	2.75	3.01	2.67
	Total assets turnover (times)		0.38	0.42	0.36	0.41	0.44	0.40
Earnings power	Return on assets (%)		4.34	5.52	2.78	2.82	4.56	0.79
	Return on equity (%)		5.27	6.65	3.33	3.46	5.77	0.59
	Pretax net profit to paid-in capital ratio (%)		26.89	30.64	13.43	14.17	22.00	2.91
	Net profit rate (%)		10.91	12.62	7.28	6.53	9.81	1.07
	Earnings per share (NT\$)		2.82	3.08	1.25	1.27	2.02	0.19
Cash flow	Cash flow ratio (%)		60.57	79.59	55.03	30.78	41.98	5.69
	Cash flow adequacy ratio (%)		102.23	97.25	91.21	86.44	82.46	91.73
	Cash flow reinvestment ratio (%)		1.78	3.22	0.01	0.73	2.03	0.58
Leverage	Operating leverage		9.22	8.45	8.96	4.11	4.91	6.43
	Financial leverage		1.31	1.26	1.39	1.11	1.20	1.61

Note 1: The financial information for 2022 was verified by the accountant and the financial information for the first quarter of 2023 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis is not necessary for the changes less than 20%).

- 1) Reasons for the change in times interest earned: Mainly due to the decrease by NT\$ 3,215,506 thousand of profit before tax in 2022 compared with 2021, resulting in the drop by 86.98% in times interest earned.
- 2) Reasons for the change in return on assets: Mainly due to the decrease by NT\$ 3,078,569 thousand of profit after tax in 2022 compared with 2021, resulting in the drop by 82.68% in return on assets.
- 3) Reasons for the change in return on equity: Mainly due to the decrease by NT\$ 3,078,569 thousand of profit after tax in 2022 compared with 2021, resulting in the drop by 86.77% in return on equity.
- 4) Reasons for the change in operating margin: Mainly due to the decrease in operating profits of NT\$ 373,153 thousand in 2022 compared with 2021, resulting in the drop by 29.44% in operating margin.
- 5) Reasons for the change in pre-tax income ratio: Mainly due to the decrease by NT\$ 3,706,214 thousand of pre-tax profit, resulting in the drop by 86.77%.
- 6) Reasons for the change in net profit rate: Mainly due to the decrease by NT\$ 3,078,569 thousand of after-tax profit resulting in the drop by 89.09%.
- 7) Reasons for the change in earnings per share: Mainly due to the decrease by NT\$ 3,078,569 thousand of consolidated net profit (attributed to the parent company), resulting in the drop by 90.59%.
- 8) Reasons for the change in cash flow ratio: Mainly due to the decrease by NT\$ 3,059,413 thousand of net cash flow from the operating activities, resulting in the drop by 86.45%.
- 9) Reasons for the change in cash flow reinvestment ratio: Mainly due to the decrease by NT\$ 1,645,982 thousand of cash dividends, resulting in the drop by 71.43%.
- 10) Reasons for the change in operating leverage: Mainly due to the decrease by NT\$ 373,153 thousand of sales income, resulting in the growth by 30.96%.
- 11) Reasons for the change in financial leverage: Mainly due to the increase by NT\$ 130,918 thousand of interest fee, resulting in the growth by 34.17%.

## (B) Analysis of individual financial report

Analysis item		Year	Financial data in recent five years				
			2018	2019	2020	2021	2022 (Note 1)
Financial structure	Liabilities to assets ratio (%)		14.39	14.81	17.80	18.85	21.89
	Long-term fund to property, plant, and equipment ratio (%)		1,142.75	1,113.38	1,131.48	1,211.80	1,137.17
Debt repayment ability	Current ratio (%)		375.78	343.15	318.35	331.84	281.66
	Quick ratio (%)		206.97	197.01	189.65	195.42	157.90
	Times interest earned		50.51	69.88	29.95	28.77	29.90
Operating performance	Average collection turnover (times)		11.66	12.24	10.7	11.39	12.46
	Average collection days		31.30	29.82	34.11	32.05	29.29
	Inventory turnover (times)		5.16	5.29	4.58	5.26	4.61
	Average payable turnover (times)		12.62	13.39	11.58	13.08	12.63
	Average days of sales		70.74	69.00	79.69	69.39	79.18
	Turnover of property, plant, and equipment		4.07	4.24	3.40	4.04	4.46
	Total assets turnover (times)		0.34	0.36	0.29	0.32	0.37
Earnings power	Return on assets (%)		5.81	6.74	2.87	2.91	4.73
	Return on equity (%)		6.85	7.79	3.33	3.46	5.77
	Pretax net profit to paid-in capital ratio (%)		31.20	33.20	13.00	13.45	21.63
	Net profit rate (%)		17.17	18.89	9.74	8.75	13.00
	Earnings per share (NT\$)		2.82	3.08	1.25	1.27	2.02
Cash flow	Cash flow ratio (%)		135.38	126.39	90.01	67.14	65.42
	Cash flow adequacy ratio (%)		100.92	96.19	89.24	90.81	98.71
	Cash flow reinvestment ratio (%)		0.81	0.61	(1.56)	0.58	1.61
Leverage	Operating leverage		16.65	13.61	14.56	4.93	7.77
	Financial leverage		1.86	1.39	1.43	1.11	1.18

Notes 1: The financial information for 2022 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis not necessary for changes less than 20%).

- 1) Return on assets in 2022 grew by 62.54% compared to 2021, which is mainly due to increase in profit after tax of NT\$ 1,261,814 thousand.
- 2) Return on equity in 2022 grew by 66.76% compared to 2021, which is mainly due to increase in profit after tax of NT\$ 1,261,814 thousand.
- 3) Pretax net profit to paid-in capital ratio in 2022 grew by 60.82% compared to 2021, which is mainly due to increase in profit before tax of NT\$ 1,377,109 thousand.
- 4) Net profit rate in 2022 increased by 48.57% compared to 2021, which is mainly due to increase in profit after tax of NT\$ 1,261,814 thousand.
- 5) Earnings per share in 2022 increased by 59.06% compared to 2021, which is mainly due to increase in profit after tax of NT\$ 1,261,814 thousand.
- 6) Cash flow reinvestment ratio in 2022 increased by 177.59% compared to 2021, which is mainly due to increase in net cash flows from operating activities of NT\$ 833,050 thousand.

Note 3: Calculation formulas for various financial ratio follow:

1. Financial structure

- (1) liabilities to assets ratio = total liabilities/total assets
- (2) Long-term fund to property, plant, and equipment ration = (shareholders' equity + non-current liabilities)/net value of plant, plant, and equipment.

2. Debt-repayment ability

- (1) Current ratio = Current assets/current liabilities
- (2) Quick ratio = (Current assets - inventories - prepaid expenses)/current liabilities
- (3) Times interest earned = Earnings before interest and taxes/interest expenses

3. Operating performance

- (1) Average Collection Turnover = Net Sales / Average TradeReceivables
- (2) Days Sales Outstanding = 365 / Average CollectionTurnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (5) Average Payment Turnover = Cost of Sales / Average TradePayables
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Earnings power

- (1) Return on Total Assets = (Net Income + Interest Expenses (1 - Effective Tax Rate))/ Average Total Assets
- (2) Return on Equity = After-tax income/average totalequity
- (3) Ratio of income before tax to paid-in capital = Profit Before Tax to Capital Stock/ paid-in capital
- (4) Net Margin = Net Income / Net Sales
- (5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (note 4)

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-yearSum of Capital Expenditures, Inventory Additions, and Cash Dividend )
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

(note 5)

#### 6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (note 6)

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: When evaluating the aforementioned calculation formula for earnings per share, give special notices for the following items:

1. It should be based on weighted average number of common shares, rather than the number of shares in circulation at the end of the year.
2. If there is cash increment or trading in treasury stocks, calculate weighted average number of shares during the circulation period.]
3. If there is capital increment with earnings or capital reserve, retroactive adjustments should be made according to the scale of capital increment in calculating the earnings per share of past year and half a year, without the need of taking into account the issuance period of the capital increment.
4. If special shares are accumulated inconvertible special shares, their share dividends for the current year (no matter issuance or not) should be deducted from after-tax net profit or be increased to after-tax net loss. If special shares are not accumulated ones, dividends for special shares should be deducted from after-tax net profit, if any; in the case of loss, it doesn't need adjustment.

Note 5: When evaluating cash flow, give special notices to the following items:

1. Net cash flow of operating activities refer to net operating inflow in cash flow table.
2. Capital outlay refers to cash outflow for annual capital investments.
3. Inventory increase is taken into account, only when initial balance is larger than ending balance; if inventory decreases at the end of year, it is calculated as zero.
4. Cash dividend includes cash dividends for common shares and special shares.
5. Gross property, plant, and equipment refers total value of property, plant, and equipment before depreciation.

Note 6: Issuers should classify operation cost and operating expenses into fixed and variable ones and notices its reasonable and consistent nature, if estimate or subjective judgment is involved.

Note 7: If company stock has no face value or has a face value other than NT\$10, use the share of parent company's equity ownership in balance sheet in the calculation of the share in paid-in capital.

**C. The Audit Committee's Review Report of the financial report for the latest year**

**FORMOSA TAFFETA CO., LTD.  
The Audit Committee's Review Report**

The Company's 2022 Business Report, Financial Statements, including Consolidated and Parent Company Only ones, and Earnings Distribution Proposal have been prepared by the Board of Directors. An audit of the Financial Statements was conducted by the CPAs of PricewaterhouseCoopers Taiwan (PwC), and the audit reports were issued by PwC. The Audit Committee members of Formosa Taffeta Co., Ltd. reviewed the Business Report, Financial Statements, and Earnings Distribution Proposal and determined the information to be correct and accurate. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Taffeta Co., Ltd. Chairman  
of the Audit Committee:

Lin, Sheng-Chung

March 3, 2023



- D. Consolidated financial report of parent company and subsidiaries of the recent year audited and certified by certified accountant (for details refer to page 186 - 276 )**
- E. Individual financial report of the recent year audited and certified by certified accountant(for details refer to page 277 - 359 )**
- F. Effect of financial problem, if any, of the company and affiliates on the company's financial status in the recent year and the current year as of the date of the publication of the annual report: nil**

## VII Financial status, review and analysis of management performance, and risk items

### A. Review and analysis of financial status--consolidated financial report

The reasons for, and impact of, any significant change over the two most recent fiscal years in its assets, liabilities, or equity. Where the impact is significant, describe further how the company plans to respond.

Unit: NT\$1,000

Item \ Year	2022	2021	Difference		
			Amount	%	Explanation
Current assets	19,948,346	17,693,888	2,254,458	12.74	–
Non-current assets	55,461,489	63,648,300	-8,186,811	-12.86	–
<b>Total assets</b>	<b>75,409,835</b>	<b>81,342,188</b>	<b>-5,932,353</b>	<b>-7.29</b>	–
Current liabilities	8,633,765	7,905,048	728,717	9.22	–
Non-current liabilities	11,008,855	11,193,281	-184,426	-1.65	–
<b>Total liabilities</b>	<b>19,642,620</b>	<b>19,098,329</b>	<b>544,291</b>	<b>2.85</b>	–
Share capital	16,846,646	16,846,646	-	-	–
capital surplus	1,338,658	1,301,769	36,889	2.83	–
Retained earnings	21,096,936	19,336,630	1,760,306	9.10	–
Other equity interest	16,504,039	24,777,878	-8,273,839	-33.39	–
Treasury stocks	(19,064)	(19,064)	-	-	–
Equity attributable to owners of the parent	55,767,215	62,243,859	-6,476,644	-10.41	–
Non-controlling interest	-	-	-	-	–
<b>Total equity</b>	<b>55,767,215</b>	<b>62,243,859</b>	<b>-6,476,644</b>	<b>-10.41</b>	
Explanation: The decrease in other equities resulted from the unrealized gain or loss on financial instrument. The unrealized gain or loss on market value measurement and cumulative translation adjustment decreased based on OCI.					

## B. Review and analysis of management performance

(A)Comparative analysis of management performance--consolidated financial report

Unit: NT\$1,000

Item \ Year	2022	2021	Increase (decrease)	Change (%)
Sales revenue	34,722,655	32,799,007	1,923,648	5.86
Operating costs	30,953,904	28,625,437	2,328,467	8.13
Net operating margin	3,768,751	4,173,570	(404,819)	(9.70)
Operating expenses	2,498,926	2,623,403	(124,477)	(4.74)
Operating profit	1,269,825	1,550,167	(280,342)	(18.08)
Non-operating income and expenses	2,436,389	837,188	1,599,201	191.02
Profit before tax	3,706,214	2,387,355	1,318,859	55.24
Income tax expense	301,233	244,188	57,045	23.36
Profit for the year from continuing operations	3,404,981	2,143,167	1,261,814	58.88
(Loss) profit from discontinued operations	-	-	-	-
Profit for the year	3,404,981	2,143,167	1,261,814	58.88

Explanation for analysis of change in share:

- 1.Non-operating income and expenses in 2022 increased by NT\$1,599,201 thousand compared with 2021, which is mainly due to the increase in dividend income of NT\$1,228,369 thousand, the increase in exchange gain of NT\$444,870 thousand, the decrease in other income of NT\$37,388 thousand and the increase in other loss of NT\$ 31,573 thousand.
- 2.Profit before tax in 2022 grew by NT\$ 1,318,859 thousand compared with 2021, which is mainly due to the increase in dividend income of NT\$ 1,228,369 thousand.
- 3.Income tax expense in 2022 increased by NT\$ 57,045 thousand compared with 2021, which is mainly due to the increase in profit before tax.
- 4.Profit for the year from continuing operations in 2022 increased by 1,261,814 thousand compared with 2021, which is mainly due to increase in dividend income of NT\$1,228,369 thousand.
- 5.Profit for 2022 increased by NT\$1,261,814 compared with 2021, which is mainly due to increase in dividend income of NT\$1,228,369 thousand.

(B) Sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response: Please refer to 2023 Business Plan of I. Report to Shareholders.

## C. Cash flow:

Describe and analyze any cash flow changes during the most recent fiscal year, describe corrective measures to be taken in response to illiquidity, and provide a liquidity analysis for the coming year.

(A) The analysis of change in cash flow in 2022

Unit: NT\$1,000

Cash balance beginning of year	Net cash flow from Operating in the year	Cash outflow in the year	Cash balance (shortfall)	Remedy for cash shortfall	
				Investment plan	Financing plan
3,471,141	3,624,078	1,878,678	5,216,541	-	-

- (1) Business activities: Net cash inflow from operating activities in the current year reached to NT\$ 3,624,078 thousand mainly due to the operating benefits (excluding depreciation and investment benefits recognized by the equity method) of NT\$ 4,452,679 thousand, decreased in payable (inflow) NT\$ 742,035 thousand, and increase in inventory (outflow) NT\$ 1,594,865 thousand.
- (2) Investment activities: Net cash outflows from investment activities in the current year amounted to NT\$ 909,164 thousand, mainly due to purchases of real estate, plant and equipment prices (outflow) of NT\$ 852,287 thousand, and increase in other non-current assets (outflow) of NT\$ 94,305 thousand, and return of capital upon dissolution of investment accounted for using the equity method (inflow) of NT\$ 27,857 thousand.
- (3) Fund-raising activities: Net cash outflow from fund-raising activities during the year was NT\$ 1,035,608 thousand, which is mainly due to the repayment of long-term loans (outflow) of NT\$ 14,600,000 thousand, cash dividend payments (outflow) of NT\$ 1,645,984 thousand, and lease principal repayment (outflow) of NT\$ 156,771 thousand, short-term borrowing decreased (outflow) NT\$ 132,139 thousand, short-term notes and bills payable decreased (inflow) NT\$ 999,286 thousand and long-term borrowing (inflow) NT\$14,500,000 thousand.

### (B) Remedial Actions for Liquidity Shortfall

- (1) As a result of positive operating cash flows and cash on-hand, remedial actions are not required.
- (2) Analysis of cash flow in the coming one year

Unit: NT\$1,000

Cash balance beginning of year (1)	Expected Net cash flow from Operating in the year (2)	Expected cash outflow in the year (3)	Expected cash balance (shortfall) (1)+(2)-(3)	Remedy for expected cash shortfall	
				Investment plan	Financing plan
5,216,541	3,028,585	3,901,285	4,343,841	-	-

- (1) Business activities: It's expected that net cash inflow from operating activities in 2023 is NT\$ 3,028,585 thousand due to the stable operating benefits.
- (2) Investment activities: It's expected that net cash outflows from investment activities in 2023 amounts to NT\$ 648,421 thousand, mainly due to the increase in purchases of real estate, plant and equipment prices.
- (3) Fund-raising activities: It is expected that net cash outflow from fund-raising activities in 2023 is NT\$ 3,252,864 thousand, mainly due to the repayment of long-term loans and cash dividend payments.
- (4) It's expected that the operating cash flows and cash on-hand, remedial actions are positive in 2023.

## D. Influence of major capital outlays in the recent year on finance and business

(A) Status of major capital outlays and funding sources

Unit: NT\$1,000

Projects	Actual or planned source of capital	Actual or planned date of completion	Total capital in need	Actual or anticipated fund utilization							
				2022	2023	2024	2025	2026	2027	2028	2029
Replacement of old machines with new ones setup of new gas stations equipment from 2022	Cash and income generated from the company's operation, with the remainder from banking loans	2023.12.31	282,425	249,773	32,652	-	-	-	-	-	-
Replacement of old machines with new ones and setup of new gas stations equipment from 2023	Cash and income generated from the company's operation, with the remainder from banking loans	2024.12.31	458,703	-	434,308	24,395	-	-	-	-	-

(B) Anticipated benefits

Anticipated contribution to production and sales volume and value, as well as gross profit

NT\$1,000

Year	Item	Production volume	Sales volume	Amount of Sales	Gross profit
2023	Anti-puncture Fabric	300 tons	-	15,624	5,214
	3K Carbon fiber cloth and 12K reinforced material	447,036 meters	-	144,392	5,776
	12 KUD prepreg	616,512 meters	-	143,647	5,746
	Filament/Spun Composited Yarn	218 tons	-	87,600	15,600
	Sales of gasoline	The gas station delivered 2,693 kiloliter	-	64,112	4,797
2024	Filament/Spun Composited Yarn	230 tons	-	99,509	10,775
	3K Carbon fiber cloth and 12K reinforced material	447,036 meters	-	144,392	5,776
	12 KUD prepreg	616,512 meters	-	143,647	5,746
	Sales of gasoline	The gas station delivered 1,465 kiloliter	-	40,151	4,476

## E. Reinvestment policy, major reasons for profit or loss, improvement plan, and investment plan in the coming year:

According to 2022 parent company financial statement, the share of profit of associates and joint ventures accounted for using equity method, net decrease by NT\$ 211,700,000 because some investees were infected by the energy cost and global inflation, which reduced the customers' expenditures. The share of profit of associates and joint ventures accounted for using equity method, net of 2022 is NT\$ 924,430,000, and that of 2021 is NT\$ 1,136,130,000.

The Company will continue to catch up with the needs of customers and market trends, integrate the supply chain services from upstream to downstream to enhance the new product development, employ the AI and AOI technology to improve the production efficiency, carry out the energy saving and carbon reduction and water recycling measures, develop environmentally and high-added products. Please refer to page 169 for detailed the future product development plan.

## **F. Risk items**

(A)Influence of changes in interest rate and exchange rate and inflation on the company's profit and future countermeasures:

### **1.Interest rate:**

In terms of long-term liabilities under floating interest rate basis (corporate bond included), the Company will carefully assess financial market conditions and consider the implementation of interest rate swap when the interest rate is relatively low to avoid interest rate fluctuation risks. The company strives to make sure the undertaking interest rate is below the estimated cost of capital of investment plans.

### **2.Change of exchange rate:**

Insufficient foreign exchange funds in daily operations are addressed by making spot or forward foreign exchange purchases when the exchange rate is favorable. Long-term foreign exchange liabilities are addressed by implementing long-term forward foreign exchange contracts or exchange-for-exchange contracts when the exchange rate is relatively low to minimize the impact of exchange rates on profitability.

### **3.Inflation**

According to Directorate of Budget, Accounting, and Statistics, Executive Yuan, the annual growth rate of consumer prices in 2022 was 2.95%, and the annual growth rate of core consumer prices was 2.60%. The rise in raw material and operating cost infected the company's profit, but it is expected that the inflation will slow in the coming year.

(B)Policy for engagement in high-risk, high-leverage investments, loan extension, endorsement and guarantee, and derivatives, major reasons for profit or loss, and countermeasures in the future:

### **1.High-risk, high-leveraged investments:**

The company engages mainly in textile, gas stations, which are mature and stable industries, with low risk. With stable business management and sound finance, the company shuns high-leverage investments.

### **2.Loan extension**

Proposal for loan extensions by the company must be passed by the board of directors and approved by shareholders' meeting, according to "measures for extension of loans to others." Up to now, the company has not extended any loan to others. In the future, loans will be only extended to affiliates for fund maneuvering and in compliance with "measures for extension of loans to others."

### **3.Endorsement:**

The company's operating procedure for provision of endorsement and guarantee is based on "operating procedure for endorsement and guarantee," which has been approved by the board of directors and agreed by shareholders' meeting. In principle, endorsement and guarantee are extended only to parent company, subsidiaries, affiliates with business linkage, or joint ventures at an extent proportionate to the share of the company's contribution. The company has never incurred loss from endorsement and guarantee, mainly on loans, due to sound finance and stable business of affiliates.

#### 4. Derivative Product Transactions:

The company's engagement in trading in derivatives is for hedging market risks caused by fluctuation of exchange rates and interest rates, instead of arbitrage and speculation. Such trading is carried out according to the company's "procedure for engagement in trading in derivatives," as well as related domestic laws and regulations and IFRS (International Financial Reporting Standards).

#### (C) Future R&D plan and expected R&D expenses (2023)

R&D items and new R&D equipment	Expected input for R&D
1. Different shrinkage yarn cottony stretch fabric	12,000
2. Recycled bright yarn UV cut lightweight fabric	5,000
3. Recycled cross section yarn fabric	5,000
4. Anti abrasion double face stretch fabric	12,000
5. Bio-based Nylon fabric	10,000
6. Nano fiber membrane waterproof breathable fabric	15,000
7. Ultra lightweight recycled N6 fabric	15,000
8. Ocean waste recycled nylon fabric	29,000
9. Multifunctional PU finishing fabric	12,000
10. Bio based nylon fabric (continued)	10,000
11. Recycled waterproof breathable membrane laminated fabric	10,000
12. ZDHC/ chemicals management and promotion project (continued)	12,000
13. Anti-static insulation and cleanroom used fabric (continued)	10,000
14. Taiwan textile federation collaboration	5,000
15. Hybrid tire cord development (continued)	10,000
16. Carbon Bead ring development (continued)	20,000
17. Eco-friendly yarn and tire cord development	12,000
18. Eco-friendly tire cord dipping recipe development	10,000
Total	214,000

#### (D) Risk Impact and Mitigation Efforts Associated with Changes in the Government Policies and Regulatory Environment:

The Company closely monitors all domestic and foreign governmental policies and regulations that might impact the Company's business and financial operations and arranges personnel to receive professional training as needed. During the period of 2022 to February 28, 2023, the following changes or developments in governmental policies and regulations may influence the Company's business and financial operations:

1. On October 21, 2021, the Environmental Protection Administration of the Executive Yuan announced the draft amendment of the "Climate Change Response Law", and bill has passed

through the third reading in the Legislative Yuan on Jan 10, 2023. The key points of the amendment include the incorporation of the 2050 net zero emission target, strengthening emission control and incentive mechanisms to promote carbon reduction, levying special carbon fees for designated use, and strengthening carbon footprints management mechanisms and product labeling. The concrete carbon fee rate and timing of levy will be separately announced. The Company will keep paying attention to the latest regulation amendments and following them accordingly.

2.Except the bill mentioned above, no other regulations or acts have a significant financial impact on the Company.

(E) Influence of technological and industrial changes on the company's finance and business and countermeasures: There is no technological changes with major influence on the company, since the company belongs to an industry with mature technology. For the risks and countermeasures of information and cyber security, please refer to page 148 for detailed information.

(F) Influence of change in corporate image on corporate crisis management and countermeasures: Adhering to the management concept of "diligence and down-to-earth style, quest for perfection, sustainable development, and contribution to society," the company has established a good corporate image and will insist on the concept for further progress, in order to make even bigger contribution to the society.

(G) Expected benefits from acquisition, possible risk, and countermeasures: nil.

(H) Expected benefits from factory expansion, possible risk, and countermeasures: Evaluation shows that there is no major risk for factory expansion.

(I) Risk for concentration of purchase or sale and countermeasures:

1.Purchase: The company's major raw materials, including tire-cord filament, PU filament, and polyester filament are mainly supplied by affiliates Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corp. in abundant volume, without any risk of shortage.

2.S a l e s : In 2022, the ratio between domestic sale and export of the company was 44.73% and 55.27%. Major exported products are long- and short-fiber fabric, tire cord, and PE bag, shipped mainly to contracted customers in Southeast Asia, Hong Kong, China, India, Japan, and South Korea, while major products for domestic sales are long- and short-fiber fabric, tire cord, special fabric, and oil products. Given diversification in markets and customers, related risk is low.

(J) Influence and risk of massive share transfer by directors, supervisors, and major shareholders with over 10% shareholding and countermeasures: nil.

(K) Influence and risk of change in management right and countermeasures: nil.

(L) List major litigations, non-contentious cases, administrative litigations, including those with settled ruling or still in progress, involving the company and the company's directors,



supervisors, president, actual responsible person, major shareholders with over 10% shareholding, and subordinated companies, whose outcomes may have major influence on shareholders' equity or security prices. Disclose the facts of the contentions, values of targets, starting dates of litigations, major parties involved, and status of handling as of the date of the publication of the annual report:

1. Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Company with the Taipei District Court in September 2019. TCB claimed that the former employees of the Company colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled with the fact that New Site and New Brite has accounts receivable due from the Company, causing damage to TCB. Therefore, TCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. According to the first trial made by Taiwan Taipei District Court on April 20, 2023, New Site, New Brite, relevant person involving in this case, and the Company shall be jointly liable with the obligation of compensating NT\$290,657,000 and the interest claimed by TCB. However, many defenses that the Company made in the first trial were not be considered. As the case can still be appealed, the ultimate outcome and amount of the lawsuit cannot presently be determined. The Company received the judgement on April 27, 2023 and will file the appeal during the legal period and engage a lawyer to submit a strong defense to protect the Company's rights and interests.
2. DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in September 2019. The former employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc. (hereinafter referred to as New Site) to make the false statements. DBS was misled with the fact that New Site has accounts receivable due from the Company and Formosa Dong Nai, causing damage to DBS. Therefore, DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. According to the first trial by Taiwan Taipei District Court on Dec. 30, 2022, the claim that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity was rejected. DBS has filed the appeal in January, 2023. Hence, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.
3. O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin

Young) to make false statements. O-Bank was misled with the fact that I Chin Young has accounts receivable due from the Company and Formosa Dong Nai, causing damage to O-Bank. Therefore, O-Bank claimed that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. According to the first trial by Taiwan Taipei District Court on Feb. 10, 2023, the claim that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity was rejected. O-Bank has filed the appeal. Hence, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.

4. Yuanta Commercial Bank (hereinafter referred to as YCB) filed a civil lawsuit against the Company with the Taipei District Court in October 2020. The former employees of the Company colluded with Loomtech Industries Inc. (hereinafter referred to as Loomtech) to make false statements. YCB was misled with the fact that Loomtech has accounts receivable due from the Company, causing damage to YCB. Therefore, YCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. The court was not in session, hence the ultimate outcome of this litigation is not presently determinable.
5. Taiwan Business Bank (hereinafter referred to as TBB) filed a merger of action in criminal prosecution against the Company and its subsidiary- Formosa Taffeta Dong Nai. The former employees of the Company colluded with New Site, New Brite, I Chin Young and Loomtech Industries Incorporation to make false statement. TBB was misled with the fact that New Site, New Brite, I Chin Young and Loomtech Industries Incorporation have accounts receivable due from the Company and Formosa Taffeta Dong Nai, causing damage to TBB. Therefore, TBB claimed that the Company and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employees. The court was not in session, hence the ultimate outcome of this litigation is not presently determinable. Hence, the ultimate outcome of this litigation is not presently derterminable and the Company has engaged lawyers to submit a strong defense to protect the Company's right and interests.

(M) Other major risks and countermeasures: Nil

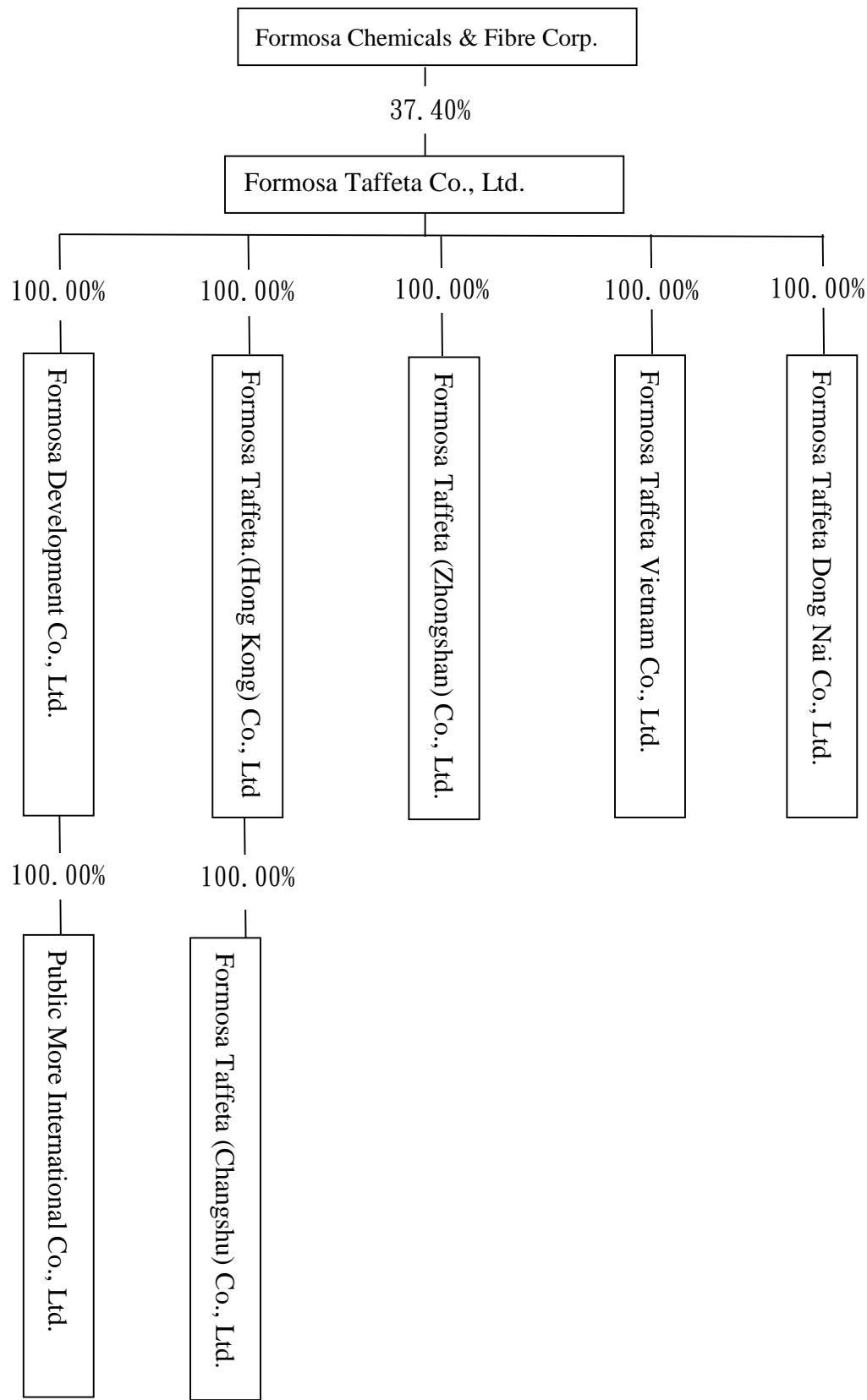
**G. Other important items: nil.**

VIII.Items with special registration

A. Data on affiliates

(A) Consolidated business report with affiliates

1. Organizational chart of affiliates



## 2.Basic data on affiliates

unit: NT\$1,000

Company name	Date of incorporation	Address (the address on corporate license)	Paid-in capital	Major business items
Formosa Development Co., Ltd.	1990.9.20	29, Lane 224, Shuliou RD., Douliou 640, Yunlin, Taiwan	161,000	Urban land consolidation and development and lease of residences, office buildings, and factories
Formosa Taffeta (Hong Kong) Co., Ltd.	1989.4.11	Room 1606, Tower 6, China Hong Kong City, 33 Canton RD., Tsimshatsui, Kowloon, Hong Kong	1,356,822	Sale of filament fabric and spun fabric
Formosa Taffeta (Zhongshan) Co., Ltd.	1992.12.3	167, S. Shenwan Avenue, Shenwan Town, Zhongshan City, Guangdong Province 528462, China	1,402,085	Chemical filament polyamine fabric, polyester fabric
Formosa Taffeta Vietnam Co., Ltd.	1999.6.16 Acquisition and reorganization	Sec.1, Nhut Chanh, Com, Ben Luc Dist., Long An Province, Vietnam	2,340,866	Production and processing of chemical-fiber fabric, dyeing and finishing, finished fabric
Formosa Taffeta Dong Nai Co., Ltd.	2004.6.25	Nhon Trach 3 Ind. Zone, Hiep Phuoc Town, Nhon Trach Dist., Dong Nai Province, Vietnam	2,806,938	Production, processing, and sale of various chemical-fiber fabrics, dyeing and finishing, and tire cord
Formosa Taffeta (Changshu) Co., Ltd.	2005.4.4	15, Peng-Hu RD., Dongnan Street, Changshu City, Jiangsu Province, 215500 CHINA	1,302,019	Engagement in dyeing and finishing of high-end fabric; lease of facilities; property management
Public more International Co., Ltd.	2017.2.15	27, Lane 224, Shuliou RD., Douliou 640, Yunlin, Taiwan	5,000	Employment service, temporary help service, manpower brokerage

3. Inferred as having a control-subordination relationship: omitted

4. Overview of businesses engaged by affiliates:

- (1) Formosa Development engages mainly in urban land consolidation.
- (2) Formosa Taffeta (Hong Kong) Co., Ltd. engages in export and import of filament fabric and spun fabric.
- (3) Formosa Taffeta (Zhongshan) Co., Ltd. engages in production and sale of polyurethane fabric and polyester fabric, plus weaving, dyeing, and finishing of high-end fabric.
- (4) Formosa Taffeta Vietnam Co., Ltd. engages in the production and sale of chemical-fiber woven fabric and dyeing and finishing.
- (5) Formosa Taffeta Dong Nai Co., Ltd. engages in production and sale of chemical-fiber woven fabric and tire cord, plus dyeing and finishing.
- (6) Formosa Taffeta (Changshu) Co., Ltd. engages in dyeing and finishing of high-end fabric.
- (7) Public more International Co., Ltd. engages in employment service, temporary help service, and manpower brokerage.

5. Names of the directors, supervisors, and presidents of affiliates and their shareholdings or contributions

Information on the directors, supervisors, and presidents of affiliate

Unit: share

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Development Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Tseng, Ching-pin (president)	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang, Hsien-tang	16,100,000	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	16,100,000	100.00%
Formosa Taffeta (Hong Kong) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
	President	Chen, Jui-mao	—	—

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Taffeta (Zhong Shan) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta Vietnam Co.,Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta Dong Nai Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta (Changshu) Co., Ltd.	Chairman	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Hong, Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lee, Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wu, Li-jen	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan	—	100.00%
	Supervisor	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Cheng, Hung-ning	—	100.00%
Public More International Company Ltd.	Director	Representative of Formosa Development Co., Ltd. : Tseng, Ching-pin	—	100.00%

Note 1: In case an affiliate is a foreign company, list persons with equivalent positions.

Note 2: In case an invested company is a company limited by shares, please specify the number of owned shares and percentage; for others, please specify contribution to paid-in capital and percentage, plus notes.

Note 3: in case directors or supervisors are institutional investors, information on their representatives should also be provided.

1. Director Wong, Wen-yuan is chairman of Formosa Taffeta Co., Ltd.
2. Director Hong, Fu-yuan is chairman of Formosa Chemicals & Fibre Corp.
3. Director Lee, Ming-chang is president of Formosa Taffeta Co., Ltd.
4. Director Tseng, Ching-pin is consultant of general management division of Formosa Taffeta Co., Ltd., and president of Formosa Development Co., Ltd.
5. Director Chang, Hsien-tang is deputy senior specialist of Formosa Development Co., Ltd
6. Director Lee, Chien-kuan is deputy vice president of first business segment of Formosa Taffeta Co., Ltd.
7. Director Wu, Li-jen is deputy assistant vice president of the first business segment of Formosa Taffeta Co., Ltd
8. Director Cheng, Hung-ning is assistant vice president of General Management Divisions (as well as acting vice president of General Management Divisions) of Formosa Taffeta Co., Ltd.
9. Director Chen, Jui-mao, the president of Formosa Taffeta (Hong Kong) Co., Ltd., is senior administrator of dyeing and finishing division of Formosa Taffeta Co., Ltd.

## 6. Operating status of affiliates

Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit/loss (after tax)	Earnings per share (NT\$) (after tax)
Formosa Development Co., Ltd.	161,000	311,625	51,851	259,774	3,140	-2,382	8,177	0.51
Formosa Taffeta ( Hong Kong) Co., Ltd.	1,356,822	1,573,472	359,790	1,213,682	1,227,921	30,650	-22,211	
Formosa Taffeta (Zhongshan) Co., Ltd.	1,402,085	2,402,344	216,988	2,185,356	2,003,764	141,602	234,151	
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	2,966,471	633,324	2,333,147	2,565,229	86,552	87,853	
Formosa Taffeta Dong Nai Co., Ltd.	2,806,938	5,906,926	2,996,670	2,910,256	4,294,293	185,458	-11,187	
Formosa Taffeta (Changshu) Co., Ltd.	1,302,019	1,427,626	350,084	1,077,542	1,215,391	-32,816	-30,589	
Public More International Company Ltd.	5,000	20,749	5,634	15,115	41,385	6,992	5,716	



## Declaration

The entities that are required to be included in the combined financial statements of Formosa Taffeta Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Formosa Taffeta Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Formosa Taffeta Co. Ltd. & Subsidiary Responsible

person: Wong Wen-yuan

March 3, 2023

Formosa Taffeta Co., Ltd.

Review report on affiliation report by certified public accountant

No. 22009054

To Formosa Taffeta Co., Ltd.

The 2022 affiliation report compiled by Formosa Taffeta Co., Ltd. on March 3, 2023 is based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," disclosing information without much aberration from related information disclosed in the notes of the financial statement covering the aforementioned period.

The certified public account has found no major aberration in the notes of the 2022 affiliation report of Formosa Taffeta Co., Ltd. from the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," after comparing the two documents.

Wu Han-chi, PwC Taiwan

Juanlu Man-Yu      certified public accountant

March 3, 2022

## Formosa Taffeta Co., Ltd. 2022 Affiliation Report

1 Status of relationship between subordinate company and controlling company

Unit: share; %

Name of controlling company	Reason of control	Shareholding of controlling company and pledge of stock rights			Directors, supervisors, or managers assigned by controlling company	
		Number of shares in held	%	Number of pledged shares	Title	Name
Formosa Chemicals & Fibre Corp.	That company can directly or indirectly control the company's personnel, finance, or business	630,022,431	37.40%	0	Chairman Director Director Director Director	Wong Wen-yuan Hong Fu-yuan, Lee Ching-Fen, Lee Ming-chang, Lee Chien-Kuan

2. Transactions between subordinate company and controlling company

(1) Status of purchase and sale

Unit: NT\$1,000

Transactions with controlling company					Conditions for transactions with controlling company	Common transaction conditions		Reasons for difference	Note receivable (payable) and account receivable (payable)		Overdue Account receivable			Notes
Purchase (sale)	Amount	Share in total purchase (sale) %	Gross margin for sale	Unit Price (NT\$)	Credit period	Unit price	Credit period		Balance	Share in total note receivable (payable) or account receivable (payable) %	Handling value	Handling method	Value of allowance for bad debts	
Sale	260	0.00	18	Common list price	Open Account 60 Days	Common list price	45-120 days after sale	-	Account receivable 4	0.00	-	-	-	
Purchase	1,411,121	6.24	-	-	Two-month promissory note after acceptance	-	15-60 days after purchase	-	Note payable (186,163) Account payable (296,975)	(59.37) (27.55)	-	-	-	

Note: Due to effect of product specifications and nature on price, transactions between Formosa Taffeta and affiliates and between the company and common customers cannot be evaluated with the same criteria.

(2) Property transaction: nil

(3) Loan extension: nil

(4) Lease of assets: nil

(5) Other important transactions: nil

3. Endorsement and guarantee: nil

4. Other items with major influence on finance and business: nil

Chairman: Wong Wen-yuan

Managerial staffer: Lee Ming-chang

Accounting chief: Lee Shu-ming

B. Disclose the status of securities issuance via private placement in 2020 and 2021 as of the publication of the annual report, including date and amount approved by shareholders' meeting or the board of directors, basis and reasonableness for the setting of issuance price, method for the selection of specific persons, necessity for the private share placement, targets and qualifications of the private share placement, their subscription amounts, relationship with the company, participation in the company's management, actual subscription (or conversion) prices, difference between actual subscription prices and reference prices, effect of private share placement on shareholders' equity, utilization of the fund collected from private share placement during the interval before formulation of utilization plan for the fund, status for the utilization of the fund, progress for the execution of the fund utilization plan, and manifested result: nil.

C. Holding or disposal of the company's shares by subsidiaries in the recent year and as of the date of the publication of the annual report:

Unit: NT\$1,000; share; %

Name of subsidiary (note 1)	Stock capital collected	fund Source	Percent age of shareholding by the company	Date of share acquisition of disposal	shares and amount of acquisition (note 2)	Volume and value of share disposal (note 2)	Investment income/loss	Volume and value of shareholding as of the date of the publication of the annual report (note 3)	Setting of pledge	Value of guarantee and endorsement undertaken by the company for subsidiary	Loans extended by the company to subsidiaries
Formosa Development Co., Ltd.	161,000	Own fund	100.00	2022	Nil	Nil	Nil	shares:2,193,228 amount: 58,669	Nil	Nil	Nil
				As of the printing date of this annual report	Nil	Nil	Nil	shares:2,193,228 amount: 61,630	Nil	Nil	Nil

Note 1: List the situation of subsidiaries separately.

Note 2: Value refers to actual value deriving from share acquisition of disposal.

Note 3: List the status of shareholding and share disposal separately.

Note 4: Explain their influence on the company's financial performance and status.

D. Other necessary supplementary explanations: nil

E. Whether or not there is item with major influence on shareholders' equity or securities prices, as stipulated in item 3-2 of article 36 of the Securities and Exchange Act: nil.

## **F. Guidelines for Ethical Conducts of the Company's Directors, Supervisors and Managerial Staffers**

revised by the board of directors on June 23, 2017

### **Chapter 1 General rules**

Article1: The guidelines are formulated, to assure conformance to ethical conducts in carrying out business activities related to their jobs by the company's directors and managerial staffers (including president, executive vice president, senior vice president, vice president, financial chief, accounting chief, and others with the authority of management and signature), so as to prevent unethical conducts and conducts detrimental to the interests of the company and shareholders.

### **Chapter 2 Norms for ethical conducts**

Article 2: In handling the company's affairs, directors and managerial staffers should embrace a self-disciplined attitude, based on honesty without deception, trustworthiness and law abidance, fairness and justness, and compliance with ethics.

Article3: Directors and managerial staffers should avoid conflict of interests involving meddling or possible meddling with the company's overall interests for personal interests, including, but not limited to, inability to handle corporate affairs in an objective and efficient manner, or provision of improper benefits to themselves, their spouses, parents, children, or relatives within second-degree kinship, thanks to their positions in the company. To prevent conflict of interest, it is necessary to pass the review by the board of directors beforehand, for the company providing loans or guarantee to, or engaging in major transactions of assets with, the aforementioned persons or their associated affiliates. Related purchase or sale should be carried out, on the consideration of the company's maximum benefits.

Article 4: In the face of profit-making opportunities for the company, directors and managerial staffers should uphold just and legal benefits available to the company. Directors and managerial staffers shouldn't take advantage of the company's properties or information or their positions to seek personal benefits. In addition to the requirements of the Company Act or corporate charter, they should not engage in business activities, in competition with the company.

Article 5: Directors and managerial staffers have the duty of confidentiality for information on the company, suppliers, and customers, except cases with authorized or legally mandated publication. Information which should be kept confidential include those whose utilization by rivals or leakage may harm the interests of the company or customers.

Article 6: Directors and managerial staffers should treat the company's suppliers, customers, rivals, and employees in a fair manner, avoiding acquisition of improper benefits via manipulation, concealing, or abuse of information obtained from their positions, untrue narration on major issues, or other unfair transaction methods.

Article 7: Directors and managerial staffers should utilize the company's assets properly, according to the needs of their jobs, and avoid stealth, negligent usage, or waste of the company's assets, which may affect the company's profitability.

Article 8: Directors and managerial staffers should abide by various laws and government regulations, as well as the company's regulations and systems.

Article 9: When discovering violation of laws/regulations or guidelines by directors or managerial staffers, the company's employees should report, along with sufficient evidence, the irregularities to the auditing committee, direct managerial superiors, personnel or internal-auditing chiefs at the President's Office, or other proper parties. After the reports are investigated and confirmed, the company will reward the informants property, according to personnel management regulations.

The company will handle the aforementioned reports in a confidential and responsible manner and make its utmost in protecting the safety of those who make the reports in good faith, to shield them from retaliation in any form.

Article 10: Should directors or managerial staffers be confirmed to violate the guidelines, in addition to penalties according to personnel management regulations, the case should be reported to the board of directors and the offenders should be subject to civil, criminal, or administrative liabilities, in addition to disclosure on the Open Market Observation Post System of relevant information, including date, situation, relevant article of the guidelines of the offense, as well as the state of handling.

### Chapter 3 Procedure for exemption

Article 11: Proposal to exempt directors or managerial staffers from the requirements of the guidelines under special situation should be approved by the board of directors with agreement of over two thirds of the directors in attendance, whose number should be more than half of the total. Relevant information for the exemption should be posted on the Open Market Observation System instantly, including date of approval by the board of directors, opposition or reservation of independent directors, if any, exemption period, reasons for the exemption, and criteria for the exemption, for evaluation of its propriety by shareholders, so as to uphold the company's interests.

### Chapter 4 Method for information disclosure

Article 12: The guidelines should be publicly disclosed on corporate website, in yearbook and prospectus, and on the Market Observation Post System and the requirement also applies to its revision.

### Chapter 5 Supplementary provision

Article 13: The guidelines are put into practice after approval by the board of directors and should be reported to shareholders' meeting; the requirement also applies to its revision.

**FORMOSA TAFFETA CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021**

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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.



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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Formosa Taffeta Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Formosa Taffeta Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Formosa Taffeta Co. Ltd. & Subsidiary

Responsible person: Wong Wen-yuan

March 3, 2023

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors (refer to the other matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

### **Valuation of allowance for uncollectible accounts**

#### Description

Refer to Note 4(11) for accounting policy on impairment of financial assets, Note 5(1) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(5) for details of allowance for uncollectible accounts. As of December 31, 2022, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT\$2,691,404 thousand and NT\$63,735 thousand, respectively.

The Group assesses the collectability of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Group recognizes impairment with a credit to accounts receivable. The Group examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we considered the valuation of allowance for uncollectible accounts a key audit matter.

#### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for uncollectible accounts included:

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and
- C. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

## **Valuation of inventory**

### Description

Refer to Note 4(13) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation loss. As of December 31, 2022, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$10,320,800 thousand and NT\$810,090 thousand, respectively.

The Group is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we considered the valuation of inventory a key audit matter.

### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation loss included:

- A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;
- B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and
- C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

### ***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using the equity method) of NT\$12,023,782 thousand and NT\$11,856,057 thousand, constituting 16% and 15% of consolidated total assets as of December 31, 2022 and 2021, respectively, and operating income of NT\$5,964,462 thousand and NT\$5,195,106 thousand, constituting 17% and 16% of consolidated total operating income for the years then ended, respectively, and comprehensive (loss) income were

(NT\$33,760) thousand and NT\$711,791 thousand, constituting 1% and 29% of total comprehensive (loss) income for the years then ended, respectively.

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

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2022 and 2021.

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

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

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

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

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

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

professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

Juanlu, Man-Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 3, 2023

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

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



**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	5,216,541	7	\$	3,471,141	4
1120	Current financial assets at fair value	6(3)						
	through other comprehensive income			1,225,249	2		1,489,451	2
1136	Current financial assets at amortized	6(4)						
	cost			113,122	-		62,909	-
1150	Notes receivable, net	6(5)		72,548	-		57,955	-
1160	Notes receivable-related parties	7		8,147	-		8,505	-
1170	Accounts receivable, net	6(5)		2,691,404	4		3,563,413	5
1180	Accounts receivable-related parties	7		216,868	-		206,124	-
1200	Other receivables	7		322,665	-		212,832	-
130X	Inventory	6(6)		9,510,710	13		7,915,845	10
1410	Prepayments			391,733	-		567,287	1
1470	Other current assets			179,359	-		138,426	-
11XX	Total current assets			19,948,346	26		17,693,888	22
Non-current assets								
1517	Non-current financial assets at fair	6(3)						
	value through other comprehensive							
	income			32,135,448	43		40,512,078	50
1535	Non-current financial assets at	6(4)						
	amortised cost			44,092	-		-	-
1550	Investments accounted for using the	6(7)						
	equity method			9,621,779	13		9,555,195	12
1600	Property, plant and equipment	6(8) and 8		11,529,353	15		11,541,908	14
1755	Right-of-use assets	6(9)		1,108,999	1		1,026,668	1
1760	Investment property, net	6(10)		551,629	1		575,852	1
1840	Deferred income tax assets	6(28)		102,189	-		71,876	-
1900	Other non-current assets			368,000	1		364,723	-
15XX	Total non-current assets			55,461,489	74		63,648,300	78
1XXX	Total assets		\$	75,409,835	100	\$	81,342,188	100

(Continued)

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11) and 8	\$ 3,035,088	4	\$ 3,167,227	4
2110	Short-term notes and bills payable	6(12)	1,299,227	2	299,941	-
2120	Financial liabilities at fair value through profit or loss - current	6(13)	2,826	-	-	-
2150	Notes payable		160,641	-	221,284	-
2160	Notes payable-related parties	7	186,804	-	341,981	1
2170	Accounts payable		900,287	1	1,093,116	1
2180	Accounts payable-related parties	7	1,070,847	1	967,146	1
2200	Other payables	6(14) and 7	1,126,487	2	1,039,634	1
2230	Current income tax liabilities		324,210	-	197,485	-
2280	Current lease liabilities		141,747	-	82,334	-
2399	Other current liabilities		385,601	1	494,900	1
21XX	Total current liabilities		8,633,765	11	7,905,048	9
Non-current liabilities						
2540	Long-term borrowings	6(15)	9,600,000	13	9,700,000	12
2570	Deferred income tax liabilities	6(28)	325,309	-	349,420	-
2580	Non-current lease liabilities		752,771	1	728,999	1
2600	Other non-current liabilities		330,775	1	414,862	1
25XX	Total non-current liabilities		11,008,855	15	11,193,281	14
2XXX	Total liabilities		19,642,620	26	19,098,329	23
Equity attributable to owners of parent						
	Share capital	6(17)				
3110	Common stock		16,846,646	22	16,846,646	21
	Capital surplus	6(18)				
3200	Capital surplus		1,338,658	2	1,301,769	2
	Retained earnings	6(19)				
3310	Legal reserve		8,974,316	12	8,772,558	11
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		9,908,042	13	8,349,494	10
	Other equity interest	6(20)				
3400	Other equity interest		16,504,039	22	24,777,878	30
3500	Treasury stocks	6(17)	( 19,064)	-	( 19,064)	-
31XX	Equity attributable to owners of the parent		55,767,215	74	62,243,859	77
3XXX	Total equity		55,767,215	74	62,243,859	77
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant event after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 75,409,835	100	\$ 81,342,188	100

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

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items		Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 34,722,655	100	\$ 32,799,007	100
5000	Operating costs	6(6)(25)(26) and 7	( 30,953,904)	( 89)	( 28,625,437)	( 87)
5900	Net operating margin		3,768,751	11	4,173,570	13
	Operating expenses	6(25)(26) and 7				
6100	Selling expenses		( 1,757,329)	( 5)	( 1,790,536)	( 5)
6200	General and administrative expenses		( 741,597)	( 2)	( 832,867)	( 3)
6000	Total operating expenses		( 2,498,926)	( 7)	( 2,623,403)	( 8)
6900	Operating profit		1,269,825	4	1,550,167	5
	Non-operating income and expenses					
7100	Interest income	6(22)	55,498	-	9,357	-
7010	Other income	6(23)	1,726,347	5	535,366	2
7020	Other gains and losses	6(24)	244,042	1	( 163,887)	( 1)
7050	Finance costs	6(27)	( 221,691)	( 1)	( 154,409)	( 1)
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(7)	632,193	2	610,761	2
7000	Total non-operating income and expenses		2,436,389	7	837,188	2
7900	<b>Profit before income tax</b>		3,706,214	11	2,387,355	7
7950	Income tax expense	6(28)	( 301,233)	( 1)	( 244,188)	( 1)
8200	<b>Profit for the year</b>		\$ 3,404,981	10	\$ 2,143,167	6

(Continued)

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>	6(20)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial gains (losses) on defined benefit plans		\$ 43,056	-	(\$ 137,864)	-
8316 Unrealized (losses) gains on valuation of financial assets at fair value through other comprehensive income		( 8,640,330)	( 25)	558,401	2
8320 Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method		( 274,172)	( 1)	73,605	-
8310 Other comprehensive (loss) income that will not be reclassified to profit or loss		( 8,871,446)	( 26)	494,142	2
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		502,918	2	( 86,660)	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		134,679	-	( 110,401)	( 1)
8360 Other comprehensive income (loss) that will be reclassified to profit or loss		637,597	2	( 197,061)	( 1)
8300 <b>Total other comprehensive (loss) income for the year</b>		( \$ 8,233,849)	( 24)	\$ 297,081	1
8500 <b>Total comprehensive (loss) income for the year</b>		( \$ 4,828,868)	( 14)	\$ 2,440,248	7
Profit attributable to:					
8610 Owners of the parent		\$ 3,404,981	10	\$ 2,143,167	6
8620 Non-controlling interest		-	-	-	-
		<u>\$ 3,404,981</u>	<u>10</u>	<u>\$ 2,143,167</u>	<u>6</u>
Comprehensive (loss) income attributable to:					
8710 Owners of the parent		( \$ 4,828,868)	( 14)	\$ 2,440,248	7
8720 Non-controlling interest		-	-	-	-
		<u>( \$ 4,828,868)</u>	<u>( 14)</u>	<u>\$ 2,440,248</u>	<u>7</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
<b>Basic and diluted earnings per share (in dollars)</b>	6(29)				
Profit attributable to common shareholders of the parent		\$ 2.17	\$ 2.02	\$ 1.35	\$ 1.27
<b>Assuming shares held by subsidiaries are not deemed as treasury stock:</b>					
Profit attributable to common shareholders of the parent		<u>\$ 2.16</u>	<u>\$ 2.02</u>	<u>\$ 1.35</u>	<u>\$ 1.27</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
		Retained Earnings				Other Equity Interest				
		Share capital - common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
Notes										
<u>Year ended December 31, 2021</u>										
Balance at January 1, 2021		\$ 16,846,646	\$ 1,297,081	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	( \$ 1,246,441 )	\$ 25,601,654	( \$ 19,064 )	\$ 61,483,588
Profit for the year		-	-	-	-	2,143,167	-	-	-	2,143,167
Other comprehensive income (loss)		-	-	-	-	( 142,262 )	( 197,061 )	636,404	-	297,081
Total comprehensive income (loss)		-	-	-	-	2,000,905	( 197,061 )	636,404	-	2,440,248
Appropriations of 2020 earnings	6(19)									
Legal reserve		-	-	212,351	-	( 212,351 )	-	-	-	-
Cash dividends		-	-	-	-	( 1,684,665 )	-	-	-	( 1,684,665 )
Paid expired cash dividends transferred to capital surplus	6(18)	-	( 97 )	-	-	-	-	-	-	( 97 )
Expired cash dividends transferred to capital surplus		-	2,592	-	-	-	-	-	-	2,592
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	2,193	-	-	-	-	-	-	2,193
Change in the net interest of associates recognized under the equity method		-	-	-	-	16,678	-	( 16,678 )	-	-
Balance at December 31, 2021		\$ 16,846,646	\$ 1,301,769	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	( \$ 1,443,502 )	\$ 26,221,380	( \$ 19,064 )	\$ 62,243,859
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 16,846,646	\$ 1,301,769	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	( \$ 1,443,502 )	\$ 26,221,380	( \$ 19,064 )	\$ 62,243,859
Profit for the year		-	-	-	-	3,404,981	-	-	-	3,404,981
Other comprehensive income (loss)		-	-	-	-	39,695	637,597	( 8,911,141 )	-	( 8,233,849 )
Total comprehensive income		-	-	-	-	3,444,676	637,597	( 8,911,141 )	-	( 4,828,868 )
Appropriations of 2021 earnings	6(19)									
Legal reserve		-	-	201,758	-	( 201,758 )	-	-	-	-
Cash dividends		-	-	-	-	( 1,684,665 )	-	-	-	( 1,684,665 )
Paid expired cash dividends transferred to capital surplus	6(18)	-	( 21 )	-	-	-	-	-	-	( 21 )
Expired cash dividends transferred to capital surplus		-	3,537	-	-	-	-	-	-	3,537
Adjustment of cash dividends paid to consolidated subsidiaries acquired	6(18)	-	2,193	-	-	-	-	-	-	2,193
Change in the net interest of associates recognized under the equity method	6(18)(20)	-	31,180	-	-	( 207 )	-	207	-	31,180
Disposal of equity instruments at fair value through other comprehensive income	6(20)	-	-	-	-	502	-	( 502 )	-	-
Balance at December 31, 2022		\$ 16,846,646	\$ 1,338,658	\$ 8,974,316	\$ 2,214,578	\$ 9,908,042	( \$ 805,905 )	\$ 17,309,944	( \$ 19,064 )	\$ 55,767,215

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

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

		Year ended December 31	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 3,706,214	\$ 2,387,355
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)(25)	1,378,658	1,345,408
Amortization		-	3,163
Interest expense	6(9)(27)	221,691	154,409
Interest income	6(22)	( 55,498 )	( 9,357 )
Dividend income	6(23)	( 1,509,242 )	( 280,873 )
Loss on valuation of financial assets	6(2)(24)	-	82
Loss (gain) on valuation of financial liabilities	6(14)(25)	2,826	( 137 )
Share of profit of associates and joint ventures accounted for using the equity method	6(7)	( 632,193 )	( 610,761 )
Gain on disposal of investments	6(25)	( 6,196 )	-
Loss on disposal and scrap of property, plant and equipment	6(24)	9,555	5,335
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net	(	14,593 )	( 14,940 )
Notes receivable-related parties		358	( 4,245 )
Accounts receivable, net		871,069	( 457,946 )
Accounts receivable-related parties	(	10,744 )	( 44,538 )
Other receivables	(	104,055 )	8,191
Inventory	(	1,594,865 )	( 1,066,828 )
Prepayments		156,169	( 172,936 )
Other current assets	(	40,933 )	117,396
Changes in operating liabilities			
Notes payable	(	60,643 )	18,404
Notes payable-related parties	(	155,177 )	191,326
Accounts payable	(	192,829 )	( 14,128 )
Accounts payable-related parties		103,701	132,315
Other payables		11,650	104,407
Other current liabilities	(	109,299 )	51,301
Other non-current liabilities	(	41,032 )	( 55,065 )
Cash inflow generated from operations		1,934,592	1,787,338
Interest received		49,720	9,537
Cash dividends received		2,070,077	930,357
Interest paid	(	201,380 )	( 145,259 )
Income tax paid	(	228,931 )	( 148,881 )
Net cash flows from operating activities		3,624,078	2,433,092

(Continued)

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

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortized cost		(\$ 94,305 )	(\$ 35,761 )
Return of capital upon dissolution of financial assets at fair value through other comprehensive income		502	-
Acquisition of investment accounted for using the equity method		( 523 )	-
Return of capital upon dissolution of investment accounted for using the equity method		27,857	-
Acquisition of property, plant and equipment	6(30)	( 852,287 )	( 469,841 )
Proceeds from disposal of property, plant and equipment		12,263	2,479
Increase in other non-current assets		( 3,060 )	( 174,264 )
Guarantee deposits paid (received)		389	( 12,123 )
Net cash flows used in investing activities		( 909,164 )	( 689,510 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term borrowings	6(31)	( 132,139 )	( 99,178 )
Increase (decrease) in short-term notes and bills payable	6(31)	999,286	( 200,038 )
Increase in long-term borrowings		14,500,000	10,300,000
Payment of long-term borrowings		( 14,600,000 )	( 9,499,170 )
Payment of lease principal	6(9)	( 156,771 )	( 152,699 )
Cash dividends paid		( 1,645,984 )	( 1,684,507 )
Decrease in guarantee deposits		-	1,736
Net cash flows used in financing activities		( 1,035,608 )	( 1,333,856 )
Effect of foreign exchange rate		66,094	( 21,907 )
Net increase in cash and cash equivalents		1,745,400	387,819
Cash and cash equivalents at beginning of year	6(1)	3,471,141	3,083,322
Cash and cash equivalents at end of year	6(1)	\$ 5,216,541	\$ 3,471,141

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

**1. HISTORY AND ORGANIZATION**

(1) Formosa Taffeta Co., Ltd. (the “Company”) was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yulin County, R.O.C. On December 24, 1985, the Company’s common stock was officially listed on the Taiwan Stock Exchange. The major operations of the Company’s various departments are as follows:

<u>Business departments</u>	<u>Major activities</u>
Primary department: Fabrics, dyeing and others	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastic bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers

(2) Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders’ meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company’s parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements.

(3) As of December 31, 2022, the Company and its subsidiaries (collectively referred herein as the “Group”) had 7,520 employees.

**2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION**

These consolidated financial statements were authorized for issuance by the Board of Directors on March 3, 2023.



### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

(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 International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, these consolidated 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co., Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100	100	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residential and buildings, and development of new community and specialized zones	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100	100	
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	

For the years ended December 31, 2022 and 2021, except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta Dong Nai Co., Ltd, whose financial statements were audited by other independent auditors, the financial statements of other subsidiaries were audited by the Company's auditors.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be 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 twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- E. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were 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 Group and the amount of the dividend can be measured reliably.

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

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group 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.

(11) Impairment of financial assets

For financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group

recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(13) 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 the estimated cost necessary to make the sale.

(14) Investments accounted for using the equity method/associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. 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 Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.



- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group'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.
- F. When the Group 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.

(15) Leasing arrangements (lessor) — lease receivables/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.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each 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:

Items	Estimated useful lives
Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	2 ~ 20 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 17 years

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

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) 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 27~30 years.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for 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.

(20) 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.

(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) Financial liabilities at fair value through profit or loss

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

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) 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.

(25) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(26) Employee benefits

A. Short-term employee benefits

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

## B. Pension

### (a) Defined contribution plans

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

### (b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

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

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

## (27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(28) Share capital

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

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(30) Revenue recognition

- A. The Group manufactures and sells various fabrics, and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Government grants

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

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

(1) Impairment assessment of accounts receivable

In evaluating impairment, the Group determines future recoverability of accounts receivable based on subjective judgement and estimates, taking into consideration the customer's financial condition, internal credit rating, and historical transaction records. If the future indicators declined, the impairment of accounts receivable may be significant.

## (2) Evaluation of inventories

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

As of December 31, 2022, the carrying amount of inventories was \$9,510,710.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 100,238	\$ 93,645
Checking accounts and demand deposits	1,771,504	1,521,542
Time deposits	2,916,965	1,709,972
Commercial paper	427,834	145,982
	<u>\$ 5,216,541</u>	<u>\$ 3,471,141</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The range of time deposit rate on December 31, 2022 and 2021 are 1.75%~4.81% and 0.1%~4.3%, respectively.
- C. The range of commercial paper rate on December 31, 2022 and 2021 are 0.9%~0.95% and 0.21%~0.22%, respectively.
- D. The Group repatriates the offshore fund by adopting “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”. The Act restricts the usage of the fund; hence, in accordance with IAS 7, “Statement of cash flows”, the fund was reclassified as other financial assets. The amount on December 31, 2022 is USD 8,426 thousand equivalent to \$258,872 thousand.
- E. The Group has no cash and cash equivalents pledged to others.

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

- A. As of December 31, 2022 and 2021: None.
- B. For the years ended December 31, 2022 and 2021, the Group recognized \$0 and (\$82) in loss in relation to financial assets at fair value through profit or loss, respectively.
- C. The forward exchange contracts are transactions to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Equity instruments		
Listed stocks	\$ 900,285	\$ 900,285
Unlisted stocks	<u>100,000</u>	<u>100,000</u>
	1,000,285	1,000,285
Valuation adjustment	<u>224,964</u>	<u>489,166</u>
	<u>\$ 1,225,249</u>	<u>\$ 1,489,451</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,125
Unlisted stocks	<u>6,647,666</u>	<u>6,647,666</u>
	14,810,791	14,810,791
Valuation adjustment	<u>17,324,657</u>	<u>25,701,287</u>
	<u>\$ 32,135,448</u>	<u>\$ 40,512,078</u>

- A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$33,360,697 and \$42,001,529 as at December 31, 2022 and 2021, respectively.
- B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive (loss) income	(\$ <u>8,640,330</u> )	\$ <u>558,401</u>
Cumulative gains reclassified to retained earnings due to derecognition	(\$ <u>502</u> )	\$ <u>-</u>

- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$33,360,697 and \$42,001,529, respectively.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).



(4) Financial assets at amortized cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposit	\$ 113,122	\$ 62,909
Non-current items:		
Time deposit	\$ 44,092	\$ -

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

	Years ended December 31,	
	2022	2021
Interest income	\$ 2,756	\$ 972

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$157,214 and \$62,909, respectively.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(5) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 72,548	\$ 57,955
Accounts receivable	\$ 2,755,139	\$ 3,626,208
Less: Allowance for uncollectible accounts	( 63,735)	( 62,795)
	\$ 2,691,404	\$ 3,563,413

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

	December 31, 2022	December 31, 2021
Not past due	\$ 2,723,483	\$ 3,562,781
Up to 30 days	63,658	81,194
31 to 90 days	25,276	21,801
Over 90 days	15,270	18,387
	\$ 2,827,687	\$ 3,684,163

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$3,211,277.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$2,763,952 and \$3,621,368, respectively.

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

(6) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,440,988	(\$ 137,771)	\$ 1,303,217
Supplies	347,684	( 3,659)	344,025
Work in process	3,295,914	-	3,295,914
Finished goods	4,326,355	( 668,660)	3,657,695
Merchandise inventory	265,412	-	265,412
Materials in transit	315,191	-	315,191
Outsourced processed materials	258,610	-	258,610
Construction in progress	3,271	-	3,271
Land for construction	67,375	-	67,375
	<u>\$ 10,320,800</u>	<u>(\$ 810,090)</u>	<u>\$ 9,510,710</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,302,690	(\$ 104,250)	\$ 1,198,440
Supplies	254,640	( 4,583)	250,057
Work in process	2,692,176	-	2,692,176
Finished goods	3,596,140	( 613,727)	2,982,413
Merchandise inventory	214,886	-	214,886
Materials in transit	265,645	-	265,645
Outsourced processed materials	242,248	-	242,248
Construction in progress	1,645	-	1,645
Land for construction	68,335	-	68,335
	<u>\$ 8,638,405</u>	<u>(\$ 722,560)</u>	<u>\$ 7,915,845</u>

Information about the inventories that were pledged to others as collateral is provided in Note 8.

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

	Years ended December 31,	
	2022	2021
Cost of inventories sold	\$ 30,651,657	\$ 28,626,047
Inventory valuation loss (gain) (Note 1)	87,530	( 183,814)
Idle capacity	103,072	-
Others (Note 2)	111,645	183,204
	<u>\$ 30,953,904</u>	<u>\$ 28,625,437</u>

Note 1: Gain on inventory for the year ended December 31, 2021 arose from inventories which were previously provided with allowance but were subsequently sold.

Note 2: Others consist of service cost, inventory overage/shortage and disposal of scrap and defective materials.

(7) Investments accounted for using the equity method

Items	December 31, 2022	December 31, 2021
Formosa Advanced Technologies Co., Ltd.	\$ 5,278,947	\$ 5,152,935
Formosa Industries Co., Ltd.	1,626,376	1,825,888
Quang Viet Enterprise Co., Ltd.	1,429,538	1,238,353
Schoeller Textil AG	1,096,100	1,030,378
Nan Ya Photonics Inc.	190,818	290,161
Changshu Yu Yuan Development Co., Ltd.	-	17,480
	<u>\$ 9,621,779</u>	<u>\$ 9,555,195</u>

A. The Group's material associates have quoted market prices as follows:

	December 31, 2022	December 31, 2021
Formosa Advanced Technologies Co., Ltd.	\$ 5,214,774	\$ 5,323,699
Quang Viet Enterprise Co., Ltd.	2,233,242	2,427,998
	<u>\$ 7,448,016</u>	<u>\$ 7,751,697</u>

B. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2022	December 31, 2021		
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.79%	30.79%	Investments accounted for using the equity method	Equity method
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Investments accounted for using the equity method	Equity method

(b) The summarized financial information of the associates that are material to the Group is shown below:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	\$ 10,767,937	\$ 9,538,767
Non-current assets	4,001,646	4,693,324
Current liabilities	( 1,403,500)	( 1,402,448)
Non-current liabilities	( 654,794)	( 527,629)
Total net assets	<u>\$ 12,711,289</u>	<u>\$ 12,302,014</u>
Share in associate's net assets	\$ 3,913,692	\$ 3,787,680
Difference	<u>1,365,255</u>	<u>1,365,255</u>
Carrying amount of the associate	<u>\$ 5,278,947</u>	<u>\$ 5,152,935</u>

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

Statements of comprehensive income

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

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

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

As of December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$2,716,456 and \$2,576,370, respectively.

	Years ended December 31,	
	2022	2021
Profit for the year from continuing operations	\$ 1,238,019	\$ 444,434
Other comprehensive (loss) income, net of tax	( 522,935)	556,158
Total comprehensive income	<u>\$ 715,084</u>	<u>\$ 1,000,592</u>

C. Chang Shu Yu Yuan Development Co., Ltd. has implemented the liquidation procedure, and the dissolution and liquidation were completed on December 1, 2022.

In addition, Chang Shu Yu Yuan Development Co., Ltd. returned the capital amounting to HKD 7,315 thousand, equivalent to \$27,857 thousand, including the amount of HKD 4,153 thousand, which reduced the book value of the investment, and another part recognized gain on investment with balance of other equity interest.

(Continued)

(8) Property, plant and equipment

	2022					
	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 2,189,875	\$ 10,382,564	\$ 23,290,879	\$ 4,875,439	\$ 408,407	\$ 41,147,164
Accumulated depreciation	( 10,825)	( 6,700,390)	( 18,253,533)	( 4,484,770)	-	( 29,449,518)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,023,312</u>	<u>\$ 3,682,174</u>	<u>\$ 5,037,346</u>	<u>\$ 390,669</u>	<u>\$ 408,407</u>	<u>\$ 11,541,908</u>
Opening net book amount as at January 1	\$ 2,023,312	\$ 3,682,174	\$ 5,037,346	\$ 390,669	\$ 408,407	\$ 11,541,908
Additions	-	-	-	214	902,327	902,541
Disposals	-	( 4,691)	( 15,197)	( 1,930)	-	( 21,818)
Transfers	( 7,432)	100,834	655,862	34,329	( 791,639)	( 8,046)
Depreciation charge	-	( 308,642)	( 813,520)	( 67,928)	-	( 1,190,090)
Net exchange differences	18	112,389	172,497	10,872	9,082	304,858
Closing net book amount as at December 31	<u>\$ 2,015,898</u>	<u>\$ 3,582,064</u>	<u>\$ 5,036,988</u>	<u>\$ 366,226</u>	<u>\$ 528,177</u>	<u>\$ 11,529,353</u>
<u>At December 31</u>						
Cost	\$ 2,182,626	\$ 10,635,611	\$ 23,719,256	\$ 4,892,251	\$ 528,177	\$ 41,957,921
Accumulated depreciation	( 10,990)	( 7,053,547)	( 18,682,268)	( 4,526,025)	-	( 30,272,830)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,015,898</u>	<u>\$ 3,582,064</u>	<u>\$ 5,036,988</u>	<u>\$ 366,226</u>	<u>\$ 528,177</u>	<u>\$ 11,529,353</u>

2021						
	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 2,189,947	\$ 10,365,740	\$ 23,138,515	\$ 4,941,190	\$ 613,374	\$ 41,248,766
Accumulated depreciation	( 10,890)	( 6,419,261)	( 17,831,721)	( 4,509,154)	-	( 28,771,026)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>
Opening net book amount as at January 1	\$ 2,023,319	\$ 3,946,479	\$ 5,306,794	\$ 432,036	\$ 613,374	\$ 12,322,002
Additions	-	-	-	-	455,902	455,902
Disposals	-	( 24)	( 4,877)	( 2,913)	-	( 7,814)
Transfers	-	63,446	611,059	35,621	( 710,126)	-
Depreciation charge	-	( 300,981)	( 791,319)	( 69,327)	-	( 1,161,627)
Net exchange differences	( 7)	( 26,746)	( 84,311)	( 4,748)	49,257	( 66,555)
Closing net book amount as at December 31	<u>\$ 2,023,312</u>	<u>\$ 3,682,174</u>	<u>\$ 5,037,346</u>	<u>\$ 390,669</u>	<u>\$ 408,407</u>	<u>\$ 11,541,908</u>
<u>At December 31</u>						
Cost	\$ 2,189,875	\$ 10,382,564	\$ 23,290,879	\$ 4,875,439	\$ 408,407	\$ 41,147,164
Accumulated depreciation	( 10,825)	( 6,700,390)	( 18,253,533)	( 4,484,770)	-	( 29,449,518)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,023,312</u>	<u>\$ 3,682,174</u>	<u>\$ 5,037,346</u>	<u>\$ 390,669</u>	<u>\$ 408,407</u>	<u>\$ 11,541,908</u>

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

	Years ended December 31,	
	2022	2021
Amount capitalized	\$ 2,867	\$ 2,333
Range of the interest rates for capitalization	0.77%~1.64%	0.7%~2.27%

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

Items	Significant components	Estimated useful lives
Land improvements	Pipelines	3 ~ 15 years
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	2 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	3 ~ 15 years
Other equipment	Cogeneration power generation equipment	2 ~ 17 years

- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

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

(9) Leasing arrangements — lessee

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

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

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Right-of-use asset - land	\$ 1,108,999	\$ 1,026,668

	Years ended December 31,	
	2022	2021
	Depreciation charge	Depreciation charge
Right-of-use asset - land	\$ 155,500	\$ 150,792

- C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$234,095 and \$192,028, respectively.



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

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,142	\$ 10,119
Expense on short-term lease contracts	3,287	1,714

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$156,771 and \$152,699, respectively.

(10) Investment property

	2022		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 1,012,678	\$ 1,020,570
Accumulated depreciation	-	( 444,718)	( 444,718)
	<u>\$ 7,892</u>	<u>\$ 567,960</u>	<u>\$ 575,852</u>
Opening net book amount as at January 1	\$ 7,892	\$ 567,960	\$ 575,852
Additions	7,440	-	7,440
Depreciation charge	-	( 33,068)	( 33,068)
Net exchange differences	-	1,405	1,405
Closing net book amount as at December 31	<u>\$ 15,332</u>	<u>\$ 536,297</u>	<u>\$ 551,629</u>
At December 31			
Cost	\$ 15,332	\$ 1,014,300	\$ 1,029,632
Accumulated depreciation	-	( 478,003)	( 478,003)
	<u>\$ 15,332</u>	<u>\$ 536,297</u>	<u>\$ 551,629</u>
	2021		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 1,013,317	\$ 1,021,209
Accumulated depreciation	-	( 411,801)	( 411,801)
	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>
Opening net book amount as at January 1	\$ 7,892	\$ 601,516	\$ 609,408
Depreciation charge	-	( 32,989)	( 32,989)
Net exchange differences	-	( 567)	( 567)
Closing net book amount as at December 31	<u>\$ 7,892</u>	<u>\$ 567,960</u>	<u>\$ 575,852</u>
At December 31			
Cost	\$ 7,892	\$ 1,012,678	\$ 1,020,570
Accumulated depreciation	-	( 444,718)	( 444,718)
	<u>\$ 7,892</u>	<u>\$ 567,960</u>	<u>\$ 575,852</u>

A. Rental income from investment property is as follows:

	Years ended December 31,	
	2022	2021
Rental income from investment property	\$ 57,689	\$ 55,598

B. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 were \$1,232,703 and \$701,006, respectively, which was by reference to the transaction prices of similar prices in the neighboring areas.

(11) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 2,971,053	2%~5.75%	-
Secured borrowings	50,000	1.2%~1.83%	Property, plant and equipment and Inventories
Purchase loans	14,035	3.35%	-
	<u>\$ 3,035,088</u>		
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 3,065,991	0.70%~3.75%	-
Secured borrowings	70,000	1.20%	Property, plant and equipment and Inventories
Purchase loans	31,236	0.75%~4.5%	-
	<u>\$ 3,167,227</u>		

(12) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper payable	\$ 1,300,000	\$ 300,000
Less: Commercial paper payable discount	( 773)	( 59)
	<u>\$ 1,299,227</u>	<u>\$ 299,941</u>
Interest rate	<u>1.49%~1.51%</u>	<u>0.34%~0.45%</u>

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

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

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

- A. For the years ended December 31, 2022 and 2021, the Company recognized \$2,826 and \$137 in profit or loss in relation to financial liabilities held for trading, respectively.
- B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

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

For the year ended December 31, 2021: None.

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(14) Other payables

	December 31, 2022	December 31, 2021
Salaries and year-end bonus payable	\$ 493,814	\$ 451,177
Accrued utilities expenses	96,993	117,679
Commission payable	61,998	72,896
Payable on equipment	81,778	50,909
Dividends payable	51,942	13,240
Others	339,962	333,733
	<u>\$ 1,126,487</u>	<u>\$ 1,039,634</u>

(15) Long-term borrowings

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

The abovementioned long-term borrowings as of December 31, 2022 are due in 2024-2025.

The abovementioned long-term borrowings as of December 31, 2021 are due in 2023.

(16) Pensions

- A.(a) The Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute monthly an amount equal to 2% ~ 15% 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 and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 1,774,598	\$ 1,980,093
Fair value of plan assets	( 1,470,618)	( 1,587,866)
Net defined benefit liability	<u>\$ 303,980</u>	<u>\$ 392,227</u>

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 2,030,408	(\$ 1,717,106)	\$ 313,302
Current service cost	11,672	-	11,672
Interest expense (income)	20,304	( 17,474)	2,830
	<u>2,062,384</u>	<u>( 1,734,580)</u>	<u>327,804</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 13,569)	( 13,569)
Change in financial assumptions	35,695	-	35,695
Experience adjustments	115,738	-	115,738
	<u>151,433</u>	<u>( 13,569)</u>	<u>137,864</u>
Less:			
Pension fund contribution	-	( 55,728)	( 55,728)
Paid pension	( 232,979)	216,011	( 16,968)
Transfer to related party	( 745)	-	( 745)
Balance at December 31	<u>\$ 1,980,093</u>	<u>(\$ 1,587,866)</u>	<u>\$ 392,227</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2022	2021
Discount rate	1.25%	0.50%
Future salary increases	2.85%	1.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 13,248)	\$ 13,628	\$ 56,907	(\$ 51,965)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 18,136)	\$ 18,738	\$ 78,497	(\$ 70,438)

The sensitivity analysis above was 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.

- (f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$10,528 and \$14,502, respectively.
- (g) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$47,424.
- (h) As of December 31, 2022, the Company's weighted average duration of that retirement plan is 5.2 years.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The Company's Mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., and Formosa Taffeta (Changshu) Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.
- (c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) Formosa Taffeta (Hong Kong) Co., Ltd. has a defined contribution plan whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.
- (e) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$137,168 and \$119,444, respectively.

(17) Share capital

- A. As of December 31, 2022, the Company's issued capital was \$16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of \$10 per share.
- B. For the years ended December 31, 2022 and 2021, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Year ended December 31, 2022			
		Beginning shares	Additions	Disposal	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193
Reason for reacquisition	Investee company	Year ended December 31, 2021			
		Beginning shares	Additions	Disposal	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193

- C. The abovementioned treasury stocks were acquired by the subsidiary, Formosa Development Co., Ltd., for investment purposes.

(18) Capital surplus

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

Year ended December 31, 2022					
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2022	\$ 38,773	\$ 1,650	\$ 2,032	\$ 1,249,276	\$10,038
Paid expired cash dividends transferred to capital surplus	-	-	-	-	( 21)
Expired cash dividends transferred to capital surplus	-	-	-	-	3,537
Adjustment of cash dividends paid to consolidated subsidiaries	2,193	-	-	-	-
Change in the net interest of associates recognized under the equity method	-	-	-	31,180	-
At December 31, 2022	<u>\$ 40,966</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,280,456</u>	<u>\$13,554</u>
Year ended December 31, 2021					
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2021	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543
Expired cash dividends transferred to capital surplus	-	-	-	-	2,592
Paid expired cash dividends transferred to capital surplus	-	-	-	-	( 97)
Adjustment of cash dividends paid to consolidated subsidiaries	2,193	-	-	-	-
At December 31, 2021	<u>\$ 38,773</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$10,038</u>



(19) Retained earnings

A. According to the R.O.C. Securities Exchange Law No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. According to the articles of Incorporation, when allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the Board of Directors. For the distribution of cash dividends which was authorised to the Board of Directors would be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and then reported to the shareholders for resolution. The special reserve includes:

- i) Reserve for special purposes.
- ii) Investment income recognized under the equity method.
- iii) Net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section.
- iv) Other special reserves set out by legal provisions.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company's distributable earnings shall be appropriated as dividends after deducting the legal reserve and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or the Company's financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to exceed 50% of the total dividends.

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

D. The appropriations of 2021 and 2020 earnings had been resolved by the stockholders during their meeting on June 24, 2022 and July 30, 2021, respectively. Details are summarized below:

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

- E. As of December 31, 2022 and 2021, unpaid stock dividends amounted to \$51,942 and \$13,240, respectively.
- F. The consolidated subsidiary, Formosa Taffeta (Zhong Shan) Co., Ltd., set aside a portion of after tax profits for the reserve fund and staff bonus welfare fund in accordance with regulations on foreign invested enterprises as set forth in the Company Law of the People's Republic of China. The percentage of after-tax profits allocated to the reserve fund must be 10% or more. Once the amount of the reserve fund reaches 50% of the registered capital, contribution to the fund is no longer required. The percentage of after-tax profits allocated to the staff bonus welfare fund is determined by the company. No profits can be distributed before operating losses from prior years are first covered.
- G. The appropriations of 2022 earnings had been resolved by the Board of Directors on March 3, 2023. Details are summarized below:

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

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

- H. For information relating to employees' compensation and directors' and supervisors' remuneration, refer to Note 6(26).

(Continued)

(20) Other equity items

	Unrealized gains on valuation	Currency translation
January 1, 2022	\$ 26,221,380	(\$ 1,443,502)
Revaluation		
– Group	( 8,646,157)	-
– Associates	( 264,984)	-
Revaluation transferred to retained earnings		
– Group	( 502)	-
– Associates	207	-
Difference of currency translation		
– Group	-	502,918
– Associates	-	134,679
December 31, 2022	\$ 17,309,944	(\$ 805,905)
	Unrealized gains on valuation	Currency translation
January 1, 2021	\$ 25,601,654	(\$ 1,246,441)
Revaluation		
– Group	553,963	-
– Associates	82,441	-
Revaluation transferred to retained earnings		
– Associates	( 16,678)	-
Difference of currency translation		
– Group	-	( 86,660)
– Associates	-	( 110,401)
December 31, 2021	\$ 26,221,380	(\$ 1,443,502)

(21) Operating revenue

	Years ended December 31,	
	2022	2021
Sales revenue	\$ 34,470,493	\$ 32,495,618
Service revenue	252,162	303,389
	\$ 34,722,655	\$ 32,799,007

The Group derives revenue from the transfer of goods and services at a point in time.

(22) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 55,498	\$ 9,357

(23) Other income

	Years ended December 31,	
	2022	2021
Dividend income	\$ 1,509,242	\$ 280,873
Other income	217,105	254,493
	<u>\$ 1,726,347</u>	<u>\$ 535,366</u>

(24) Other gains and losses

	Years ended December 31,	
	2022	2021
Loss on disposal of property, plant and equipment	(\$ 9,555)	(\$ 5,335)
Gain on disposals of investments	6,196	-
Foreign exchange gains (losses)	364,759	( 80,111)
Forward foreign exchange contracts		
Net loss on financial assets at fair value		
through profit or loss	-	( 82)
Net (losses) gains on financial liabilities at fair		
value through profit or loss	( 2,826)	137
Bank charges	( 38,816)	( 34,354)
Other losses	( 75,716)	( 44,142)
	<u>\$ 244,042</u>	<u>(\$ 163,887)</u>

(25) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 3,589,310	\$ 3,469,418
Depreciation charges		
(including right-of-use assets and investment		
property)	1,378,658	1,345,408
	<u>\$ 4,967,968</u>	<u>\$ 4,814,826</u>

(26) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 2,960,997	\$ 2,872,289
Labor and health insurance fees	341,705	318,289
Pension costs	147,696	133,946
Other personnel expenses	138,912	144,894
	<u>\$ 3,589,310</u>	<u>\$ 3,469,418</u>

A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$7,308 and \$4,546, respectively; while directors' and supervisors' remuneration were accrued at \$3,654 and \$2,273, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current period for the year ended December 31, 2022. The employees' compensation and directors' and supervisors' remuneration for 2021 as approved by shareholders were the same as the amounts shown in the 2021 financial statements.

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

(27) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 213,416	\$ 146,623
Other financial expense	11,142	10,119
Less: Capitalization of qualifying assets	( 2,867)	( 2,333)
	<u>\$ 221,691</u>	<u>\$ 154,409</u>

(28) Income tax

A. Income tax expense

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 368,177	\$ 292,678
Tax on undistributed surplus earnings	26	2,927
Adjustments in respect of prior year	( 12,546)	( 32,813)
Total current tax	<u>355,657</u>	<u>262,792</u>
Deferred tax:		
Origination and reversal of temporary differences	( 54,424)	( 18,604)
Total deferred tax	<u>( 54,424)</u>	<u>( 18,604)</u>
Income tax expense	<u>\$ 301,233</u>	<u>\$ 244,188</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 796,270	\$ 603,508
Effect from permanent differences of income tax	( 472,130)	( 240,586)
Effect from temporary differences of income tax	44,037	70,244)
Adjustments in respect of prior year	( 12,546)	( 32,813)
Net change in deferred tax assets and liabilities	( 54,424)	( 18,604)
Tax on undistributed earnings	26	2,927
Tax expense	<u>\$ 301,233</u>	<u>\$ 244,188</u>

Note: The basis for computing the applicable tax rate is the rate applicable in the respective countries where the Group entities operate.

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

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

	Year ended December 31, 2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	\$ 99,566	(\$ 33,526)	\$ -	\$ 66,040
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503
Unrealized gains on disposal of equipment	1,742	( 1,151)	-	591
Unrealized foreign exchange loss	-	2,742	-	2,742
	<u>103,811</u>	<u>( 31,935)</u>	<u>-</u>	<u>71,876</u>
Deferred tax liabilities:				
-Temporary differences				
Unrealized foreign exchange gain	( 2,721)	2,721	-	-
Investment income accounted for under equity method	( 397,238)	47,818	-	( 349,420)
	<u>( 399,959)</u>	<u>50,539</u>	<u>-</u>	<u>( 349,420)</u>
	<u>(\$ 296,148)</u>	<u>\$ 18,604</u>	<u>\$ -</u>	<u>(\$ 277,544)</u>

- D. The income tax returns of the Company, Formosa Development Co., Ltd. and Public More Internation Company Ltd. through 2020 have been assessed and approved by the Tax Authority.
- E. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., and Formosa Taffeta (Changshu) Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certified as high-tech enterprise by Guangdong Provincial Government and accordingly, is entitled to the applicable income tax rate of 15% for 3 years from 2021.
- F. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by the Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. Formosa Taffeta Dong Nai Co., Ltd. was granted income tax exemption for 3 years from the first profit-making year and income tax reduction of half of the 15% income tax rate or half of the 20% income tax rate for the next 4 to 10 years.
- G. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta Vietnam Co., Ltd. was 20%.
- H. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta (Hong Kong) Co., Ltd. was 16.5%.

(29) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company divided by the weighted average number of outstanding common stocks for the year.

	Year ended December 31, 2022				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 3,643,302</u>	<u>\$ 3,404,981</u>	<u>1,682,471</u>	<u>\$ 2.17</u>	<u>\$ 2.02</u>
	Year ended December 31, 2021				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 2,266,193</u>	<u>\$ 2,143,167</u>	<u>1,682,471</u>	<u>\$ 1.35</u>	<u>\$ 1.27</u>

The following is earnings per share assuming the shares of the Company held by its subsidiary, Formosa Development Co., Ltd., are not deemed as treasury stock:

	Year ended December 31, 2022				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 3,643,302</u>	<u>\$ 3,404,981</u>	<u>1,684,665</u>	<u>\$ 2.16</u>	<u>\$ 2.02</u>
	Year ended December 31, 2021				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 2,266,193</u>	<u>\$ 2,143,167</u>	<u>1,684,665</u>	<u>\$ 1.35</u>	<u>\$ 1.27</u>

- B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the years ended December 31, 2022 and 2021.



(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 902,541	\$ 455,902
Add: Opening balance of payable on equipment	50,909	85,562
Ending balance of prepayment on equipment	48,104	67,489
Less: Ending balance of payable on equipment	( 81,778)	( 50,909)
Opening balance of prepayment on equipment	( 67,489)	( 88,203)
Cash paid during the year	<u>\$ 852,287</u>	<u>\$ 469,841</u>

(31) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2022	\$ 3,167,227	\$ 299,941	\$ 9,700,000	\$ 13,167,168
Changes in cash flow from financing activities	( 132,139)	999,286	( 100,000)	767,147
At December 31, 2022	<u>\$ 3,035,088</u>	<u>\$ 1,299,227</u>	<u>\$ 9,600,000</u>	<u>\$ 13,934,315</u>
	Short-term borrowings	Short-term notes payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2021	\$ 3,266,405	\$ 499,979	\$ 8,956,822	\$ 12,723,206
Changes in cash flow from financing activities	( 99,178)	( 200,038)	744,008	444,792
Impact of changes in foreign exchange rate	-	-	( 830)	( 830)
At December 31, 2021	<u>\$ 3,167,227</u>	<u>\$ 299,941</u>	<u>\$ 9,700,000</u>	<u>\$ 13,167,168</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by Formosa Chemicals & Fibre Corp. (incorporated in R.O.C), which owns 37.4% of the Company's shares. The ultimate controlling party of the Company is Formosa Chemicals & Fibre Corp.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Chemicals & Fibre Corporation	Ultimate parent company
Formosa Advanced Technologies Co., Ltd.	Associate
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Schoeller Textil AG	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Asia Co., Ltd.	Other related party
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nan Ya Plastic (Guangzhou) Co., Ltd.	Other related party
Nan Ya Plastic (Nantong) Co., Ltd.	Other related party
Nan Ya Technology Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
KONG YOU INDUSTRIAL CO., LTD.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Albers & Co AG (Note)	Other related party
Formosa HA TINH (CAYMAN) LIMITED	Other related party
NKFG Corp.	Other related party

Note: Schoeller Holding AG merged with its parent company, Albers & Co AG, in September 2021, with Albers & Co AG as the surviving company and Schoeller Textil AG as the dissolved company.

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
– Ultimate parent company	\$ 260	\$ 293
– Associates	341,409	298,665
– Other related party	1,067,231	925,413
	<u>\$ 1,408,900</u>	<u>\$ 1,224,371</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods

	Years ended December 31,	
	2022	2021
Purchases of goods:		
– Ultimate parent company	\$ 1,903,330	\$ 1,831,286
– Associates	1,081,196	1,062,143
– Other related party		
Formosa Petrochemical Corp.	10,484,941	9,640,038
Others	1,103,812	1,303,489
	<u>\$ 14,573,279</u>	<u>\$ 13,836,956</u>

Goods and services are purchased from associates and an entity controlled by key management personnel on normal commercial terms and conditions.

C. Receivables from related parties

	December 31, 2022	December 31, 2021
Notes and accounts receivable:		
– Ultimate parent company	\$ 4	\$ 18
– Associates	94,113	16,687
– Other related party	130,898	197,924
	<u>\$ 225,015</u>	<u>\$ 214,629</u>

The receivables from related parties arise mainly from sales transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.

#### D. Notes and accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and accounts payable:		
– Ultimate parent company	\$ 559,963	\$ 560,160
– Associates	89,106	197,243
– Other related party		
Formosa Petrochemical Corp.	546,996	425,208
Others	61,586	126,516
	<u>\$ 1,257,651</u>	<u>\$ 1,309,127</u>

The payables to related parties arise mainly from purchase transactions and are due 15~60 days after the date of purchase. The payables bear no interest.

#### E. Property transactions and investment property

Acquisition of property, plant and equipment:

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

#### F. Others

(a) Formosa Taffeta (Dong Nai) Co., Ltd. was engaged by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the service consignment contract signed by Formosa Taffeta (Dong Nai) Co., Ltd. and Nhon Trach 3 Industrial Zone each year, Formosa Taffeta (Dong Nai) Co., Ltd. is responsible for managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other public liquid sold to lessees in investment district, repairing and performing service on various public facilities of power plant. In accordance with the contract, Formosa Taffeta (Dong Nai) Co., Ltd.'s collectible service expense is as follows:

- i. Land lease expense: 3% of Formosa Industry's land rent revenue
- ii. Public liquid service expense: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district
- iii. Management expense: the full amount of management expense collected from lessees in investment district to Formosa Industry is to be paid to the Company and its subsidiaries.

For the years ended December 31, 2022 and 2021, Formosa Taffeta (Dong Nai) Co., Ltd. has recognized lease service income in investment district of \$35,522 and \$31,652, respectively, for rendering the abovementioned consigned services. As of December 31, 2022 and 2021, the uncollected amount of \$3,187 and \$2,880, respectively, was recognized under 'other receivables'.

For the above land leasing, as of December 31, 2022 and 2021, the management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd. is due to collect from the related party, Formosa Industry, amounted to \$24,933 and \$25,385, respectively.

(b) Rent income (shown as ‘other income’)

The Group leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees’ dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the years ended December 31, 2022 and 2021 amounted to \$43,027 and \$42,294, respectively.

(c) Other income pertains to the Group’s collections and payment transfer of utilities, steam and waste disposal costs, etc. for Formosa Advanced Technologies Co., Ltd. for the years ended December 31, 2022 and 2021 amounting to \$21,350 and \$22,682, respectively.

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

(4) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 9,703	\$ 20,713

8. PLEDGED ASSETS

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

Item	Book Value		Purpose
	December 31, 2022	December 31, 2021	
Property, plant and equipment	\$ 135,161	\$ 135,861	Security for short-term borrowings
Inventories (land for construction)	17,610	17,610	Security for short-term borrowings
	<u>\$ 152,771</u>	<u>\$ 153,471</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2022, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	\$ 1,632
JPY	98,905
EUR	1,278

(2) Endorsements and guarantees

As of December 31, 2022, in order to assist the subsidiaries is obtaining credit line, the Group has guaranteed the following amounts for subsidiaries:

Name of company	December 31, 2022
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 1,013,430
Formosa Taffeta Vietnam Co., Ltd.	1,627,630
Formosa Taffeta (Changshu) Co., Ltd.	1,689,050
Formosa Taffeta Dong Nai Co., Ltd.	3,854,105

(3) Contingencies - Significant lawsuit

- A. Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Company with the Taipei District Court in September 2019. TCB claimed that the former employees of the Company colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled with the fact that New Site and New Brite has accounts receivable due from the Company, causing damage to TCB. Therefore, TCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.
- B. DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in September 2019. The former employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc. (hereinafter referred to as New Site) to make the false statements. DBS was misled with the fact that New Site has accounts receivable due from the Company and Formosa Dong Nai, causing damage to DBS. Therefore, DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated December 30, 2022, the Taipei District Court has rejected the claims filed by DBS. Consequently, DBS filed an appeal in January 2023. The ultimate outcome of the appeal and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.
- C. O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin Young) to make false statements. O-Bank was

misled with the fact that I Chin Young has accounts receivable due from the Company and Formosa Dong Nai, causing damage to O-Bank. Therefore, O-Bank claimed that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated February 10, 2023, the Taipei District Court has rejected the claims filed by O-Bank. O-bank is expected to file an appeal in accordance with related laws. The ultimate outcome of the appeal and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.

- D. Yuanta Commercial Bank (hereinafter referred to as YCB) filed a merger of action in criminal and civil prosecution against the Company with the Taipei District Court in October 2020. The former employees of the Company colluded with Loomtech Industries Inc. (hereinafter referred to as Loomtech) to make false statements. YCB was misled with the fact that Loomtech has accounts receivable due from the Company, causing damage to YCB. Therefore, YCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.
- E. Taiwan Business Bank (hereinafter referred to as TBB) filed a merger of action in criminal prosecution against the Company and its subsidiary - Formosa Taffeta Dong Nai. The former employees of the Company colluded with New Site, New Brite and I Chin Young to make false statement. TBB was misled with the fact that New Site, New Brite, I Chin Young have accounts receivable due from the Company and Formosa Taffeta Dong Nai, causing damage to TBB. Therefore, TBB claimed that the Company and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employees. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.
- F. On June 24, 2022, the Taipei District Prosecutor's Office made a non-prosecution decision against the litigation filed by TCB and TBB based on the Code of Criminal Procedure and other laws since there was no active evidence that the Company was involved in any criminal action.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 6(19) G for the distribution of 2022 earnings which was proposed by the Board of Directors on March 3, 2023.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current, non-current borrowings and short-term notes and bills payable' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2022, the Group's strategy was unchanged from 2021. The gearing ratios at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 13,934,315	\$ 13,167,168
Less: Cash and cash equivalents	( 5,216,541)	( 3,471,141)
Net debt	8,717,774	9,696,027
Total equity	55,767,215	62,243,859
Total capital	<u>\$ 64,484,989</u>	<u>\$ 71,939,886</u>
Gearing ratio	<u>13%</u>	<u>13%</u>

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value		
through other comprehensive income	\$ 33,360,697	\$ 42,001,529
Financial assets at amortized cost	8,685,387	7,582,879
	<u>\$ 42,046,084</u>	<u>\$ 49,584,408</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value		
through profit or loss	\$ 2,826	\$ -
Financial liabilities at amortized cost	17,379,381	16,830,329
Lease liabilities	894,518	811,333
	<u>\$ 18,276,725</u>	<u>\$ 17,641,662</u>

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties), financial assets at amortized cost and other receivables; financial liabilities at amortized cost includes short-term borrowings, short-term notes and bills payable, notes and accounts payable (including related parties), other payables and long-term borrowings.



## B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

### (a) Market risk

#### Foreign exchange risk

- i. Some of the Group's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities is as follows:

	December 31, 2022		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 139,891	30.71	\$ 4,296,053
EUR:NTD	4,074	32.72	133,301
USD:RMB	23,785	6.97	730,437
USD:VND	26,173	23,604.92	803,773
<u>Non-monetary items</u>			
VND:NTD	5,278,747,118	0.0013	6,862,371
RMB:NTD	736,584	4.41	3,248,335
HKD:NTD	308,825	3.93	1,213,682
CHF:NTD	33,010	33.21	1,096,262
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	93,345	23,604.92	2,866,625

December 31, 2021			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 118,120	27.69	\$ 3,270,743
JPY:NTD	418,997	0.24	100,559
EUR:NTD	5,218	31.32	163,428
USD:RMB	22,799	6.38	631,304
USD:VND	37,975	22,771.38	1,051,528
<u>Non-monetary items</u>			
VND:NTD	5,299,065,790	0.0012	6,358,879
RMB:NTD	694,474	4.34	3,014,017
HKD:NTD	339,811	3.54	1,202,931
CHF:NTD	34,147	30.18	1,030,556
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	107,192	22,771.38	2,968,146

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$364,759 and (\$80,111), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 42,961	\$ -
EUR:NTD	1%	1,333	-
USD:RMB	1%	7,304	-
USD:VND	1%	8,038	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	68,624
RMB:NTD	1%	-	32,483
HKD:NTD	1%	-	12,137
CHF:NTD	1%	-	10,963
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	1%	28,666	-

Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 32,707	\$ -
JPY:NTD	1%	1,006	-
EUR:NTD	1%	1,634	-
USD:RMB	1%	6,313	-
USD:VND	1%	10,515	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	63,589
RMB:NTD	1%	-	30,140
HKD:NTD	1%	-	12,029
CHF:NTD	1%	-	10,306
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	1%	29,681	-

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$23 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$333,607 and \$420,015, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in the NTD and USD.

- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
  - iii. If the borrowing interest rate of NTD denominated borrowings had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$76,800 and \$77,600, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
  - ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. 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 Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
  - v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
  - vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
  - vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. As of December 31, 2022 and 2021, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>At December 31, 2022</u>					
Expected loss rate	1%	13%	47%	100%	
Total book value	\$ 2,723,483	\$ 63,658	\$ 25,276	\$ 15,270	\$ 2,827,687
Loss allowance	28,169	8,461	11,835	15,270	63,735
		Up to 30	31~90 days	Over 90 days	
	Not past due	days past due	past due	past due	Total
<u>At December 31, 2021</u>					
Expected loss rate	1%	6%	70%	100%	
Total book value	\$ 3,562,781	\$ 81,194	\$ 21,801	\$ 18,387	\$ 3,684,163
Loss allowance	24,501	4,682	15,225	18,387	62,795

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

	2022	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 62,795)
Effect of foreign exchange	-	( 940)
At December 31	<u>\$ -</u>	<u>(\$ 63,735)</u>
	2021	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 63,055)
Effect of foreign exchange	-	260
At December 31	<u>\$ -</u>	<u>(\$ 62,795)</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2022 and 2021, the Group held money market position of \$38,634,214 and \$45,379,025, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group'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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Long-term borrowings (including current portion)				
December 31, 2022	\$ 470	\$ 8,340,829	\$ 1,429,000	\$ -
December 31, 2021	-	9,777,005	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Lease liability				
December 31, 2022	\$ 141,747	\$ 123,682	\$ 303,895	\$ 325,194
December 31, 2021	82,334	155,586	262,668	310,745

(d) The Group 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 estimation

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 30,618,039</u>	<u>\$ 333,000</u>	<u>\$ 2,409,658</u>	<u>\$ 33,360,697</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 2,826</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income assets				
Equity securities	<u>\$ 36,655,941</u>	<u>\$ 464,900</u>	<u>\$ 4,880,688</u>	<u>\$ 42,001,529</u>

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

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	<u>Closing price</u>	<u>Net asset value</u>

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the consolidated balance sheet date.

iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

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

F. The accounting department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

The accounting department sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensures compliance with the related requirements in IFRS. The related valuation results are reported to the supervisor of accounting department monthly. The supervisor is responsible for managing and reviewing valuation processes.



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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 90,521	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	2,319,137	Net asset value	Not applicable	Not applicable

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 127,332	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	4,753,356	Net asset value	Not applicable	Not applicable

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022	
		Recognized in other comprehensive income	
	Input	Favourable change	Unfavourable change
Financial assets			
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	
		\$ 905	\$ 905

		December 31, 2021	
		Recognized in other comprehensive income	
	Input	Change	
		Favourable change	Unfavourable change
Financial assets			
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	
		\$ 1,273	\$ 1,273

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2), 6(13) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Refer to table 4.

#### (2) Information on investees

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

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

- A. Basic information: Refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 7.

#### (4) Major shareholders information

Major shareholders information: Refer to table 8.

#### 14. SEGMENT INFORMATION

##### (1) General information

- A. The Group operates and sets policies from product and service perspective; thus, management also identifies reportable segments using the same method.
- B. The Group has three reportable segments: First business group, Second business group consisting of Cord fabric department and Gasoline department. Details are as follows:
  - (a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries—Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Hong Kong) Co., Ltd., etc.
  - (b) Cord fabric department: Mainly produces and provides tire cords.
  - (c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

##### (2) Measurement of segment information

The measurement based on each operating segment's profit before tax excludes the effects of non-recurring expenditure, i.e. from the unrealized gain or loss on financial instruments. Furthermore, interest income and expense are not allocated to operating segments.

(Continued)

(3) Information about segment profit or loss and assets

Year ended December 31, 2022						
	Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	Adjustment and write-off	Total
<u>Segment revenue</u>						
Revenue from external customers	\$ 14,291,652	\$ 6,569,208	\$ 11,681,398	\$ 2,180,397	\$ -	\$ 34,722,655
Inter-segment revenue	1,029,934	373,280	-	192,057	(1,595,271)	-
Total segment revenue	<u>\$ 15,321,586</u>	<u>\$ 6,942,488</u>	<u>\$ 11,681,398</u>	<u>\$ 2,372,454</u>	<u>(\$ 1,595,271)</u>	<u>\$ 34,722,655</u>
Segment income	<u>\$ 3,051,168</u>	<u>\$ 307,778</u>	<u>\$ 384,809</u>	<u>\$ 253,562</u>	<u>(\$ 291,103)</u>	<u>\$ 3,706,214</u>
<u>Segment assets</u>						
Identifiable assets	<u>\$ 10,889,106</u>	<u>\$ 8,940,298</u>	<u>\$ 1,217,468</u>	<u>\$ 3,322,437</u>	<u>(\$ 340,279)</u>	\$ 24,029,030
Investments accounted for using the equity method						9,621,779
General assets						<u>41,759,026</u>
Total assets						<u>\$ 75,409,835</u>

Year ended December 31, 2021						
	First business group	Second business group			Adjustment and write-off	Total
		Cord fabric department	Gasoline department	Other segment		
<u>Segment revenue</u>						
Revenue from external customers	\$ 13,020,105	\$ 7,043,603	\$ 10,811,504	\$ 1,923,795	\$ -	\$ 32,799,007
Inter-segment revenue	1,278,452	159,581	-	139,332	(1,577,365)	-
Total segment revenue	<u>\$ 14,298,557</u>	<u>\$ 7,203,184</u>	<u>\$ 10,811,504</u>	<u>\$ 2,063,127</u>	<u>(\$ 1,577,365)</u>	<u>\$ 32,799,007</u>
Segment income	<u>\$ 1,761,890</u>	<u>\$ 669,255</u>	<u>\$ 439,006</u>	<u>\$ 45,206</u>	<u>(\$ 528,002)</u>	<u>\$ 2,387,355</u>
<u>Segment assets</u>						
Identifiable assets	<u>\$ 13,211,443</u>	<u>\$ 5,808,160</u>	<u>\$ 1,188,346</u>	<u>\$ 3,471,833</u>	<u>(\$ 386,032)</u>	<u>\$ 23,293,750</u>
Investments accounted for using the equity method						9,555,195
General assets						48,493,243
Total assets						<u>\$ 81,342,188</u>

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

B. The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

(5) Information on product and service

Refer to Note 6(21).

(6) Geographical information

	Year ended December 31, 2022			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	\$ 25,986,481	\$ 8,736,174	\$ -	\$ 34,722,655
Revenue from parent company and consolidated subsidiaries	240,613	1,354,658	( 1,595,271)	-
Total revenue	<u>\$ 26,227,094</u>	<u>\$ 10,090,832</u>	<u>(\$ 1,595,271)</u>	<u>\$ 34,722,655</u>
Segment income (loss)	<u>\$ 3,614,649</u>	<u>\$ 382,668</u>	<u>(\$ 291,103)</u>	<u>\$ 3,706,214</u>
Identifiable assets	<u>\$ 18,973,508</u>	<u>\$ 5,395,801</u>	<u>(\$ 340,279)</u>	\$ 24,029,030
Investments accounted for under the equity method				9,621,779
General assets				<u>41,759,026</u>
				<u>\$ 75,409,835</u>
	Year ended December 31, 2021			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	\$ 24,241,524	\$ 8,557,483	\$ -	\$ 32,799,007
Revenue from parent company and consolidated subsidiaries	340,474	1,236,892	( 1,577,366)	-
Total revenue	<u>\$ 24,581,998</u>	<u>\$ 9,794,375</u>	<u>(\$ 1,577,366)</u>	<u>\$ 32,799,007</u>
Segment income (loss)	<u>\$ 2,370,977</u>	<u>\$ 544,380</u>	<u>(\$ 528,002)</u>	<u>\$ 2,387,355</u>
Identifiable assets	<u>\$ 15,574,692</u>	<u>\$ 8,105,090</u>	<u>(\$ 386,032)</u>	\$ 23,293,750
Investments accounted for under the equity method				9,555,195
General assets				<u>48,493,243</u>
				<u>\$ 81,342,188</u>

(7) Major customer information

None.

## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/g uarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 36,248,689	\$ 1,063,095	\$ 1,013,430	\$ 15,355	\$ -	1.82	\$ 72,497,379	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	36,248,689	1,707,395	1,627,630	358,557	-	2.92	72,497,379	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	36,248,689	1,771,825	1,689,050	160,731	-	3.03	72,497,379	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	36,248,689	4,042,983	3,854,105	2,418,137	-	6.91	72,497,379	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	36,248,689	1,953,531	-	-	-	-	72,497,379	N	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories.

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 1.3 times of the Company's net assets, and limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.



## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 857,957	0.21	\$ 857,957	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	35	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	56	-	56	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	34,236	0.01	34,236	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	333,000	2.35	333,000	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	394,804	0.25	394,804	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	29,330,986	3.83	29,330,986	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	234,166	5,532	0.54	5,532	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	38,335	10.00	38,335	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	903,247	31,918	1.20	31,918	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	265,147	3.00	265,147	
FORMOSA TAFFETA CO., LTD.	NKFG	Other related party	Non-current financial assets at fair value through other comprehensive income	5,540,000	\$ 14,736	2.50	\$ 14,736	
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	2,053,990	3.85	2,053,990	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	58,669	0.13	58,669	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions											
			Transaction				(Note 1)		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)	Footnote (Note 2)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 281,476) (	1.08)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 65,727	3.55
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	( 226,250) (	0.86)	Pay 120 days after delivery	-	-	Accounts receivable	41,795	2.25
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Subsidiary	Sales	( 179,428) (	0.69)	60 days after monthly billings	-	-	Accounts receivable	43,013	2.32
FORMOSA TAFFETA CO., LTD.	Schoeller Asia CO.Limited	Other related party	Sales	( 115,639) (	0.44)	Pay by mail transfer 14 days after delivery	-	-	Accounts receivable	5,856	0.00
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Purchases	10,484,941	46.34	Pay every 15 days by mail transfer	-	-	Accounts payable	( 546,996) (	50.75)
							-	-	Notes payable	( 186,163) (	59.37)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,411,121	6.24	Draw promissory notes due in 2 months after inspection			Accounts payable	( 296,957) (	27.55)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	651,634	2.88	Pay every 15 days by mail transfer	-	-	Accounts payable	( 37,197) (	3.45)
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	227,086	1.00	Pay every 15 days by mail transfer	-	-	Accounts payable	( 11,195) (	1.04)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	( 227,575) (	11.36)	60 days after monthly billings	-	-	Accounts receivable	56,644	33.76
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 214,005) (	10.68)	60 days after monthly billings	-	-	Accounts receivable	22,256	13.26
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	134,914	12.58	60 days after monthly billings	-	-	Accounts payable	( 15,872) (	59.25)
FORMOSA TAFFETA VIETNAM CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(\$ 127,134) (	4.96)	60 days after monthly billings	\$ -	-	Accounts receivable	\$ 20,032	6.48
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	294,219	15.33	60 days after monthly billings	-	-	Accounts payable	( 25,352) (	28.92)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	( 262,857) (	6.12)	60 days after monthly billings	-	-	Accounts receivable	24,225	4.07

## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions												
			Transaction				(Note 1)		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)	Footnote (Note 2)
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	( 288,738)	( 6.72)	60 days after monthly billings	-	-	Accounts receivable	32,226	5.42	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 387,346)	( 9.02)	60 days after monthly billings	-	-	Accounts receivable	95,307	88.06	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	648,679	17.32	60 days after monthly billings	-	-	Accounts payable	( 47,882)	( 22.74)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	482,940	12.89	60 days after monthly billings	-	-	Accounts payable	( 76,824)	( 36.49)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORP.	Other related party	Purchases	130,485	3.48	60 days after monthly billings	-	-	Accounts payable	( 8,363)	( 3.97)	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: The transactions are disclosed by presenting revenues. The related transactions are not disclosed.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: The amount of transactions which is listed in the table is determined by its material.

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

Table 5

Expressed in thousands of NTD (Except as otherwise indicated)											
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for the year	recognized by the	
				December 31, 2022	December 31, 2021				ended December 31, 2022	company for the year	

## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

## Information on investees

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee for the year	recognized by the	
									ended December 31, 2022 (Note 2(2))	company for the year ended December 31, 2022 (Note 2(3))	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INCORPORATION	Taiwan	Manufacturing, installing, and supervising the engineer design of LED illumination systems/illumination arrangements	\$ 263,327	\$ 263,327	7,013,871	15.22	\$ 190,818	\$ 144,992	\$ 22,064	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	18,011	2,055,289	2,182	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	15,115	5,716	5,716	
PUBLIC MORE INTERNATIONAL COMPANY LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producon of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	1,591	1,069	15,000	0.01	1,732	1,176,153	160	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the year ended December 31, 2022' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 234,151	100.00	\$ 234,151	\$ 2,185,356	\$ 43,914	Note 3
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	( 30,589)	100.00	( 30,589)	1,077,542	-	Note 4
CHANG SHU YU YUAN DEVELOPMENT CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	18	40.78	7	-	-	Note 5

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The amount of 'Investment income (loss) recognized by the Company for the year ended December 31, 2022 was derived from financial statements which were audited by independent auditors.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 and December 31, 2022 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 is US\$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2022 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,424,944	\$ 33,460,329
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,289,820	33,460,329

Note :

(1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.

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

(3)The original currency of paid-in capital was translated at USD:TWD = 1 : 30.71



## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property		Accounts receivable		Provision of endorsements/guarantees		Financing				
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended	Balance at December 31, 2022	Interest rate	Interest during the year ended	Others
									December 31, 2022			December 31, 2022	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 13,933	0.05	\$ -	-	\$ 1,469	0.08	\$ 1,013,430	For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	4,836	0.02	-	-	404	0.02	1,689,050	For short-tem loans from financial institutions	-	-	-	-	

## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

## Information on Major Shareholders

December 31, 2022

Table 8

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

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

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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.

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## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Formosa Taffeta Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### ***Basis for opinion***

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

### ***Key audit matters***

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

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

### **Valuation of allowance for uncollectible accounts**

#### Description

Refer to Note 4(9) for accounting policy on financial assets impairment, Note 5(1) for accounting estimates and assumption uncertainty in relation to accounts receivable, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2022, the Company's accounts receivable amounted to NT\$1,647,730 thousand, net of allowance for bad debts amounting to NT\$31,678 thousand.

The Company assesses the collectibility of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Company recognizes impairment with a credit to accounts receivable. The Company examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we considered the valuation of allowance for uncollectible accounts a key audit matter.

#### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for uncollectible accounts included:

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward-looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and
- C. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

## **Valuation of inventory**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2022, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$6,303,999 thousand and NT\$537,333 thousand, respectively.

The Company is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Company recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we considered the valuation of inventory a key audit matter.

### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation losses included:

- A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;
- B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and
- C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

### ***Other matter - audits of the other independent auditors***

We did not audit the financial statements of certain investments accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$8,486,274 thousand and NT\$7,972,893 thousand, constituting 12% and 10% of total assets as of December 31, 2022 and 2021, respectively, and comprehensive income was NT\$14,907 thousand and NT\$749,957 thousand, constituting (1%) and 31% of total comprehensive (loss) income for the years then ended, respectively. The financial statements of these investees were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements relative to these investees is based solely on the audit reports of the other independent auditors.

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

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

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

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Company’s financial reporting process.

### ***Auditors’ responsibilities for the audit of the parent company only financial statements***

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



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

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

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

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

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

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

Juanlu, Man-Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 3, 2023

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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.

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

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

(Continued)

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

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

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

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18) and 7		\$ 26,182,568	100	\$ 24,490,081	100
5000 Operating costs	6(5)(22)(23) and 7		( 23,424,921)	( 89)	( 21,640,482)	( 89)
5900 Net operating margin			2,757,647	11	2,849,599	11
Operating expenses	6(22)(23) and 7					
6100 Selling expenses			( 1,437,115)	( 6)	( 1,428,737)	( 6)
6200 General and administrative expenses			( 522,101)	( 2)	( 555,244)	( 2)
6000 Total operating expenses			( 1,959,216)	( 8)	( 1,983,981)	( 8)
6900 Operating profit			798,431	3	865,618	3
Non-operating income and expenses						
7100 Interest income	6(19)		44,300	-	2,016	-
7010 Other income	6(20)		1,698,964	6	516,953	2
7020 Other gains and losses	6(21)		300,318	1	174,382	( 1)
7050 Finance costs	6(24)		( 123,143)	-	( 80,142)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(6)		924,432	4	1,136,130	5
7000 Total non-operating income and expenses			2,844,871	11	1,400,575	6
7900 Profit before income tax			3,643,302	14	2,266,193	9
7950 Income tax expense	6(25)		( 238,321)	( 1)	( 123,026)	-
8200 Profit for the year			\$ 3,404,981	13	\$ 2,143,167	9
Other comprehensive income	6(17)					
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial gains (losses) on defined benefit plan			\$ 43,056	-	( \$ 137,864)	-
8316 Unrealized (losses) gains on valuation of financial assets at fair value through other comprehensive income			( 8,640,330)	( 33)	558,401	2
8330 Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method			( 274,172)	( 1)	73,605	-
8310 Other comprehensive (loss) income that will not be reclassified to profit or loss			( 8,871,446)	( 34)	494,142	2
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation			592,034	3	( 194,287)	( 1)
8380 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method			45,563	-	( 2,774)	-
8360 Other comprehensive income (loss) that will be reclassified to profit or loss			637,597	3	( 197,061)	( 1)
8300 Other comprehensive (loss) income for the year			( \$ 8,233,849)	( 31)	\$ 297,081	1
8500 Total comprehensive (loss) income for the year			( \$ 4,828,868)	( 18)	\$ 2,440,248	10
			Before Tax	After Tax	Before Tax	After Tax
9750 Basic and diluted earnings per share	6(26)		\$ 2.17	\$ 2.02	\$ 1.35	\$ 1.27
Assuming shares held by subsidiaries are not deemed as treasury stock:						
Basic and diluted earnings per share			\$ 2.16	\$ 2.02	\$ 1.35	\$ 1.27

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

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

	Notes	Capital Reserves					Retained Earnings			Other Equity Interest			Treasury stocks	Total equity
		Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Donated assets received	Changes in net equity of associates and joint ventures accounted for using equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
<b>Year ended December 31, 2021</b>														
Balance at January 1, 2021		\$ 16,846,646	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$ 19,064)	\$ 61,483,588
Profit for the year		-	-	-	-	-	-	-	-	2,143,167	-	-	-	2,143,167
Other comprehensive income (loss)	6(17)	-	-	-	-	-	-	-	-	( 142,262)	( 197,061)	636,404	-	297,081
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	2,000,905	( 197,061)	636,404	-	2,440,248
Appropriations of 2020 earnings:	6(16)													
Legal reserve		-	-	-	-	-	-	212,351	-	( 212,351)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	( 1,684,665)	-	-	-	( 1,684,665)
Paid expired cash dividends transferred to capital surplus		-	-	-	-	-	( 97)	-	-	-	-	-	-	( 97)
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	2,193	-	-	-	-	-	-	-	-	-	-	2,193
Expired cash dividends transferred to capital surplus		-	-	-	-	-	2,592	-	-	-	-	-	-	2,592
Change in the net interest of associates recognized using the equity method		-	-	-	-	-	-	-	-	16,678	-	( 16,678)	-	-
Balance at December 31, 2021		\$ 16,846,646	\$ 38,773	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 10,038	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502)	\$ 26,221,380	(\$ 19,064)	\$ 62,243,859
<b>Year ended December 31, 2022</b>														
Balance at January 1, 2022		\$ 16,846,646	\$ 38,773	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 10,038	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502)	\$ 26,221,380	(\$ 19,064)	\$ 62,243,859
Profit for the year		-	-	-	-	-	-	-	-	3,404,981	-	-	-	3,404,981
Other comprehensive income (loss)	6(17)	-	-	-	-	-	-	-	-	39,695	637,597	( 8,911,141)	-	( 8,233,849)
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	3,444,676	637,597	( 8,911,141)	-	( 4,828,868)
Appropriations of 2021 earnings:	6(16)													
Legal reserve		-	-	-	-	-	-	201,758	-	( 201,758)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	( 1,684,665)	-	-	-	( 1,684,665)
Paid expired cash dividends transferred to capital surplus		-	-	-	-	-	( 21)	-	-	-	-	-	-	( 21)
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	2,193	-	-	-	-	-	-	-	-	-	-	2,193
Expired cash dividends transferred to capital surplus		-	-	-	-	-	3,537	-	-	-	-	-	-	3,537
Change in the net interest of associates recognized using the equity method		-	-	-	-	31,180	-	-	-	( 207)	-	207	-	31,180
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	-	502	-	( 502)	-	-
Balance at December 31, 2022		\$ 16,846,646	\$ 40,966	\$ 1,650	\$ 2,032	\$ 1,280,456	\$ 13,554	\$ 8,974,316	\$ 2,214,578	\$ 9,908,042	(\$ 805,905)	\$ 17,309,944	(\$ 19,064)	\$ 55,767,215

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

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

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

(Continued)

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

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

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



FORMOSA TAFFETA CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) Formosa Taffeta Co., Ltd. (the “Company”) was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yunlin County, R.O.C. On December 24, 1985, the Company’s common stock was officially listed on the Taiwan Stock Exchange. The major operations of the Company’s various departments are as follows:

<u>Business department</u>	<u>Major activities</u>
Primary department: Fabrics & dyeing	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastics bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers

- (2) Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders’ meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company’s parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 3, 2023.

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses.

B. Translation of foreign operations

The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

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

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

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

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

- E. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

For financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Company has not retained control of the financial asset.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under the equity method in these parent company only financial statements.
- B. Unrealized profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to ensure consistency with the policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.
- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss.
- J. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Item	Estimated useful lives
Buildings and structures	10 ~ 60 years
Machinery and equipment	5 ~ 20 years
Transportation equipment	5 ~ 10 years
Other equipment	2 ~ 15 years



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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Leases liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 30 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Notes and accounts payable

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

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

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

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

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

(22) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Company measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
  - ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.
  - iii. Past service costs are recognized immediately in profit or loss.
- C. Employees' compensation and directors' and supervisors' remuneration
- Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

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

subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share capital

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

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

- A. The Company manufactures and sells various fabrics and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

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

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

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

(1) Impairment valuation of accounts receivable

In evaluating impairment, the Company determines future recoverability of accounts receivable based on subjective judgement and estimates, taking into consideration the customer's financial condition, internal credit rating, and historical transaction records. If the forecastability has increased, the impairment of accounts receivable may be significant.

(2) Evaluation of inventories

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

As of December 31, 2022, the carrying amount of inventories was \$5,766,666.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

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

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

B. The Company repatriates the offshore fund by adopting “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”. The Act restricts the usage of the fund; hence, in accordance with IAS 7, “Statement of cash flows”, the fund was reclassified as other financial assets. The amount on December 31, 2022 is USD 8,426 thousand equivalent to \$258,872.

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

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

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

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

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

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

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

Items	December 31, 2022	December 31, 2021
Current items:		
Equity instruments		
Listed stocks	\$ 900,285	\$ 900,285
Unlisted stocks	100,000	100,000
	<u>1,000,285</u>	<u>1,000,285</u>
Valuation adjustment	224,964	489,166
	<u>\$ 1,225,249</u>	<u>\$ 1,489,451</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,125
Unlisted stocks	6,647,666	6,647,666
	<u>14,810,791</u>	<u>14,810,791</u>
Valuation adjustment	17,324,657	25,701,287
	<u>\$ 32,135,448</u>	<u>\$ 40,512,078</u>

- A. The Company has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$33,360,697 and \$42,001,529 as at December 31, 2022 and 2021, respectively.
- B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive (loss) income	(\$ 8,640,330)	\$ 558,401
Cumulative gains reclassified to retained earnings due to derecognition	(\$ 502)	\$ -

- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company were \$33,360,697 and \$42,001,529, respectively.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Notes and accounts receivable

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

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

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

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,909,512.
- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents

the Company's notes receivable were \$72,548 and \$57,955, and accounts receivable were \$1,647,730 and \$2,069,651, respectively.

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

(5) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 506,398	(\$ 23,937)	\$ 482,461
Supplies	159,719	( 795)	158,924
Work in process	2,342,834	-	2,342,834
Finished goods	2,608,292	( 512,601)	2,095,691
Merchandise inventory	265,412	-	265,412
Materials in transit	298,744	-	298,744
Outsourced processed materials	122,600	-	122,600
	<u>\$ 6,303,999</u>	<u>(\$ 537,333)</u>	<u>\$ 5,766,666</u>

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 462,340	(\$ 11,123)	\$ 451,217
Supplies	67,415	( 1,187)	66,228
Work in process	1,819,227	-	1,819,227
Finished goods	2,052,936	( 437,948)	1,614,988
Merchandise inventory	214,886	-	214,886
Materials in transit	125,281	-	125,281
Outsourced processed materials	100,266	-	100,266
	<u>\$ 4,842,351</u>	<u>(\$ 450,258)</u>	<u>\$ 4,392,093</u>

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

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



Note 1: Gain on inventory for the year ended December 31, 2021 arose from inventories which were previously provided with allowance but were subsequently sold.

Note 2: Others consist of inventory overage/shortage, disposal of scrap and defective materials.

(6) Investments accounted for using equity method

A. List of long-term investments

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

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

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

C. The share of income of subsidiaries and associates accounted for using the equity method of \$115,577 and \$672,210 for the years ended December 31, 2022 and 2021, respectively, were based on the audited financial statements of the investee companies.

D. Subsidiaries

(a) Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2022 consolidated financial statements.

- (b) As at December 31, 2022 and 2021, the Company's common stocks owned by its subsidiary, Formosa Development Co., Ltd., were 2,193,228 shares, treated as treasury stock.

E. Associates

- (a) The financial information of the Company's principal associates is summarized below:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2022	December 31, 2021		
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.68%	30.68%	Associate	Equity method
Formosa Industry Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method

- (b) The Company is the director of Formosa Industry Co., Ltd., Nan Ya Photonics Inc. and Quang Viet Enterprise Co., Ltd. and has significant influence over its operations, thus, Formosa Industry Co., Ltd., Nan Ya Photonics Inc. and Quang Viet Enterprise Co., Ltd. are accounted for using the equity method.
- (c) Owing to the capital increase of Schoeller Textil AG, the Board of Directors during its meeting on October 17, 2019 resolved to invest in Schoeller Textil AG in the amount of CHF 39,580 thousand (equivalent to \$1,285,507 thousand) for an equity interest of 50%. The Company obtained 50% equity interest in Schoeller Textil AG after the capital increase on March 18, 2020. As significant matters concerning Schoeller Textil AG requires consensus from the majority of the Board of Directors, the investment was accounted for using the equity method.
- (d) The summarized financial information of the associates that are material to the Company is shown below:

Balance sheets

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

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

#### Statements of Comprehensive Income

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

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

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

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

	Year ended December 31, 2022	Year ended December 31, 2021
Profit for the year from continuing operations	\$ 1,238,011	\$ 448,526
Other comprehensive (loss) income, net of tax	( 522,935)	549,656
Total comprehensive income	<u>\$ 715,076</u>	<u>\$ 998,182</u>

F. The Company's material associates, Quang Viet Enterprise Co., Ltd. and Formosa Advanced Technologies Co., Ltd., have quoted market prices as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Quang Viet Enterprise Co., Ltd.	\$ 2,231,442	\$ 2,426,693
Formosa Advanced Technologies Co., Ltd.	<u>5,196,792</u>	<u>5,305,341</u>
	<u>\$ 7,428,234</u>	<u>\$ 7,732,034</u>

(Continued)

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Construction in progress	Total
<u>At January 1, 2022</u>						
Cost	\$ 2,064,354	\$ 6,297,860	\$ 14,835,617	\$ 4,117,508	\$ 250,827	\$ 27,566,166
Accumulated depreciation	- (	4,791,865)	( 12,623,481)	( 3,940,658)	- (	21,356,004)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,908,616</u>	<u>\$ 1,505,995</u>	<u>\$ 2,212,136</u>	<u>\$ 176,850</u>	<u>\$ 250,827</u>	<u>\$ 6,054,424</u>
<u>2022</u>						
Opening net book amount as at January 1	\$ 1,908,616	\$ 1,505,995	\$ 2,212,136	\$ 176,850	\$ 250,827	\$ 6,054,424
Additions	-	-	-	-	456,185	456,185
Disposals	- (	4,672)	( 148)	-	- (	4,820)
Transfers	( 7,440)	30,312	291,490	18,614	( 341,022)	( 8,046)
Depreciation charge	-	( 168,745)	( 425,663)	( 37,368)	-	( 631,776)
Closing net book amount as at December 31	<u>\$ 1,901,176</u>	<u>\$ 1,362,890</u>	<u>\$ 2,077,815</u>	<u>\$ 158,096</u>	<u>\$ 365,990</u>	<u>\$ 5,865,967</u>
<u>At December 31, 2022</u>						
Cost	\$ 2,056,914	\$ 6,309,340	\$ 14,582,882	\$ 4,107,543	\$ 365,990	\$ 27,422,669
Accumulated depreciation	- (	4,946,450)	( 12,505,067)	( 3,949,447)	- (	21,400,964)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,901,176</u>	<u>\$ 1,362,890</u>	<u>\$ 2,077,815</u>	<u>\$ 158,096</u>	<u>\$ 365,990</u>	<u>\$ 5,865,967</u>

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

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

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

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

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

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

(8) Leasing arrangements – lessee

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

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

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

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

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

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

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

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

(9) Short-term borrowings

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

(10) Short-term notes and bills payable

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

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

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

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

A. For the years ended December 31, 2022 and 2021, the Company recognized \$2,826 and \$137 in profit or loss in relation to financial liabilities held for trading, respectively.



B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

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

For the year ended December 31, 2021: None.

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(12) Long-term borrowings

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

(13) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 1,774,598	\$ 1,980,093
Fair value of plan assets	( 1,470,618)	( 1,587,866)
Net defined benefit liability	<u>\$ 303,980</u>	<u>\$ 392,227</u>

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 2,030,408	(\$ 1,717,106)	\$ 313,302
Current service cost	11,672	-	11,672
Interest expense (income)	20,304	( 17,474)	2,830
	<u>2,062,384</u>	<u>( 1,734,580)</u>	<u>327,804</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 13,569)	( 13,569)
Change in financial assumptions	35,695	-	35,695
Experience adjustments	115,738	-	115,738
	<u>151,433</u>	<u>( 13,569)</u>	<u>137,864</u>
Pension fund contribution	-	( 55,728)	( 55,728)
Paid pension	( 232,979)	216,011	( 16,968)
Transfer to related party	( 745)	-	( 745)
Balance at December 31	<u>\$ 1,980,093</u>	<u>(\$ 1,587,866)</u>	<u>\$ 392,227</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2022	2021
Discount rate	1.25%	0.50%
Future salary increases	2.85%	1.00%

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

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

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

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) For the aforementioned pension plan, the Company recognized pension costs of \$10,528 and \$14,502 for the years ended December 31, 2022 and 2021, respectively.
- (g) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$47,424.
- (h) As of December 31, 2022, the weighted average duration of that retirement plan is 5.2 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$84,673 and \$79,741, respectively.

(14) Share capital

- A. As of December 31, 2022, the Company’s authorized and issued capital was \$16,846,646, consisting of 1,684,665,000 shares of common stocks, with a par value of \$10 per share.
- B. For the years ended December 31, 2022 and 2021, changes in treasury stocks are as follows (in thousands of shares):

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

C. The abovementioned treasury stocks were acquired by the subsidiary, Formosa Development Co., Ltd., for investment purposes.

(15) Capital surplus

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

(16) Retained earnings

A. According to the R.O.C. Securities Exchange Law No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. According to the article of the Company, when allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the Board of Directors. For the distribution of cash dividends which was authorised to the Board of Directors would be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and then reported to the shareholders for resolution. The special reserve includes:

- i. Reserve for special purposes,

- ii. Investment income recognized under the equity method,
- iii. Net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and
- iv. Other special reserves set out by legal provisions.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company's distributable earnings shall be appropriated as dividends after deducting the legal reserve and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or the Company's financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to exceed 50% of the total dividends.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. The appropriations of 2021 and 2020 earnings had been resolved at the stockholders' meeting on June 24, 2022 and July 30, 2021, respectively. Details are summarized below:

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

- E. As of December 31, 2022 and 2021, unpaid stock dividends amounted to \$51,942 and \$13,240, respectively.
- F. The appropriations of 2022 earnings had been resolved by the Board of Directors on March 3, 2023. Details are summarized below:

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

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

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

(17) Other equity items

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

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

(18) Operating revenue

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

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines:

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

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

(19) Interest income

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

(20) Other income

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



(21) Other gains and losses

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

(22) Expenses by nature

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

(23) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 2,219,306	\$ 2,181,747
Labour and health insurance fees	241,580	238,613
Pension costs	95,201	94,243
Other personnel expenses	80,025	82,359
	<u>\$ 2,636,112</u>	<u>\$ 2,596,962</u>

- A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$7,308 and \$4,546, respectively; while directors' and supervisors' remuneration was accrued at \$3,654 and \$2,273, respectively. The aforementioned amount was recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and

accrued based on the Company's Articles of Incorporation of profit of current year distributable for the year ended December 31, 2022. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors totalled to \$7,308 and \$3,654, respectively, and the employees' compensation will be distributed in the form of cash.

The employees' compensation and directors' and supervisors' remuneration for 2021 as approved by shareholders were the same as the amounts shown in the 2021 financial statements. For the year ended December 31, 2021, employees' compensation was \$4,546 and distributed in cash.

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

(24) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 117,340	\$ 73,994
Other financial expense	8,640	7,554
Less: Capitalization of qualifying assets	( 2,837)	( 1,406)
Finance costs	<u>\$ 123,143</u>	<u>\$ 80,142</u>

(25) Income tax

A. Income tax expense

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

Year ended December 31, 2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	\$ 99,566	(\$ 33,526)	\$ -	\$ 66,040
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503
Unrealized foreign exchange loss	-	2,742	-	2,742
Unrealized gain on disposal of equipment	1,742	(1,151)	-	591
	103,811	(31,935)	-	71,876
Deferred tax liabilities:				
-Temporary differences				
Unrealized foreign exchange gain	(2,721)	2,721	-	-
Investment income accounted for under equity method	(397,238)	47,818	-	(349,420)
	(399,959)	50,539	-	(349,420)
	(\$ 296,148)	\$ 18,604	\$ -	(\$ 277,544)

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(26) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company divided by weighted average amount of outstanding common stocks for the year.

Year ended December 31, 2022					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 3,643,302	\$ 3,404,981	1,682,471	\$ 2.17	\$ 2.02
Year ended December 31, 2021					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 2,266,193	\$ 2,143,167	1,682,471	\$ 1.35	\$ 1.27

The following is the earnings per share assuming the shares of the Company held by its subsidiary, Formosa Development Co., Ltd., are not deemed as treasury shares:

Year ended December 31, 2022					
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	<u>\$ 3,643,302</u>	<u>\$ 3,404,981</u>	<u>1,684,665</u>	<u>\$ 2.16</u>	<u>\$ 2.02</u>
Net income					
Year ended December 31, 2021					
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	<u>\$ 2,266,193</u>	<u>\$ 2,143,167</u>	<u>1,684,665</u>	<u>\$ 1.35</u>	<u>\$ 1.27</u>
Net income					

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the years ended December 31, 2022 and 2021.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

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

(Continued)

(28) Changes in liabilities from financing activities

2022				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 31,236	\$ 299,941	\$ 9,700,000	\$ 10,031,177
Changes in cash flow from short-term borrowings	( 17,201)	-	-	( 17,201)
Increase in short-term notes and bills payable	-	999,286	-	999,286
Increase in long-term borrowings	-	-	14,500,000	14,500,000
Payment of long-term borrowings	-	-	( 14,600,000)	( 14,600,000)
At December 31	<u>\$ 14,035</u>	<u>\$ 1,299,227</u>	<u>\$ 9,600,000</u>	<u>\$ 10,913,262</u>
2021				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 4,783	\$ 499,979	\$ 8,900,000	\$ 9,404,762
Changes in cash flow from short-term borrowings	26,453	-	-	26,453
Decrease in short-term notes and bills payable	-	( 200,038)	-	( 200,038)
Increase in long-term borrowings	-	-	10,300,000	10,300,000
Payment of long-term borrowings	-	-	( 9,500,000)	( 9,500,000)
At December 31	<u>\$ 31,236</u>	<u>\$ 299,941</u>	<u>\$ 9,700,000</u>	<u>\$ 10,031,177</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by Formosa Chemicals & Fibre Corp. (incorporated in R.O.C), which owns 37.4% of the Company's shares. The ultimate controlling party of the Company is Formosa Chemicals & Fibre Corp.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Formosa Chemicals & Fibre Corp.	Ultimate Parent Company
Formosa Taffeta Dong Nai Co., Ltd.	Subsidiary
Formosa Taffeta Vietnam Co., Ltd.	Subsidiary
Formosa Taffeta (Zhong Shan) Co., Ltd.	Subsidiary
Formosa Taffeta (Hong Kong) Co., Ltd.	Subsidiary
Formosa Taffeta (Changshu) Co., Ltd.	Subsidiary
Formosa Delelopment Co., Ltd.	Subsidiary
Public More International Co., Ltd.	Subsidiary
Quang Viet Enterprise Corp.	Associate
Formosa Advanced Technologies Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Textil AG	Associate
Schoerller Asia Co.,Ltd.	Other Related Party
Formosa Heavy Industries Corp.	Other Related Party
Formosa Biomedical Technology Corp.	Other Related Party
Formosa Petrochemical Corp.	Other Related Party
Formosa Asahi Spandex Corp.	Other Related Party
Formosa Technologies Corp.	Other Related Party
Formosa Plastics Corp.	Other Related Party
Chang Gung Biotechnology Corp.	Other Related Party
Nan Ya Plastics Corp.	Other Related Party
Nanya Technology Corp.	Other Related Party
Yugen Yueh Co., Ltd.	Other Related Party
Yumaowu Enterprise Co., Ltd.	Other Related Party
Yu Yuang Textile Co., Ltd.	Other Related Party
Yu Maowu Complex Co., Ltd.	Other Related Party
Great King Garment Co., Ltd.	Other Related Party
Kong You Industrial Co., Ltd.	Other Related Party
Bellmart Indurstrual Co., Ltd.	Other Related Party
TOA Resin Corp.	Other Related Party
NKFG Corp.	Other Related Party
Albers & Co AG (Note)	Other Related Party
FG INC.	Other Related Party
Formosa Ha Tinh (Cayman) Limited	Other Related Party

Note: Schoeller Holding AG merged with its parent company, Albers & Co AG, in September 2021, with Albers & Co AG as the surviving company and Schoeller Textile AG as the dissolved company.

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
— Ultimate parent	\$ 260	\$ 293
— Subsidiaries	204,521	307,701
— Associates	289,391	294,036
— Other related parties	524,625	421,924
	<u>\$ 1,018,797</u>	<u>\$ 1,023,954</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods

	Years ended December 31,	
	2022	2021
Purchases of goods:		
— Ultimate parent	\$ 1,411,121	\$ 1,395,375
— Subsidiaries	657,512	232,380
— Other related parties		
Formosa Petrochemical Corp.	10,484,941	9,640,038
Others	920,447	977,297
	<u>\$ 13,474,021</u>	<u>\$ 12,245,090</u>

Goods and services are purchased from an entity controlled by key management personnel, subsidiaries and associates on normal commercial terms and conditions.

C. Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivables from related parties:		
— Ultimate parent	\$ 4	\$ 18
— Subsidiaries	45,250	65,465
— Associates	66,335	16,277
— Other related parties	70,727	92,242
	<u>\$ 182,316</u>	<u>\$ 174,002</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.



D. Notes and accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables from related parties:		
— Ultimate parent	\$ 483,138	\$ 482,192
— Subsidiaries	128,572	57,232
— Other related parties		
Formosa Petrochemical Corp.	546,996	425,208
Others	51,721	76,484
	<u>\$ 1,210,427</u>	<u>\$ 1,041,116</u>

The payables to related parties arise mainly from purchase transactions and are due 15~60 days after the date of purchase. The payables bear no interest.

E. Other payables

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

F. Property transactions, investment property and other receivables

(a) Acquisition of property, plant and equipment

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

(b) Disposal of property, plant and equipment:

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

(c) Rental income (shown as other income)

The Company leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees' dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the years ended December 31, 2022 and 2021, amounted to \$43,027 and \$42,294, respectively.

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

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

Note: Represents transfer from property, plant and equipment.

The fair value of the investment property held by the Company was based on the selling price of similar property in neighbouring areas. As of December 31, 2022 and 2021, the fair value was \$1,144,206 and \$610,257, respectively.

(d) Other income

Other income pertains to the Company's collections and payment transfer of utilities, steam and waste disposal costs, etc. for Formosa Advanced Technologies Co., Ltd. for the years ended December 31, 2022 and 2021 amounting to \$21,350 and \$22,682, respectively.

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

(f) Other receivables

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

G. Acquisition of financial assets:

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

For the year ended December 31, 2021: None.

H. Endorsements and guarantees provided to related parties:

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

(4) Key management compensation

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

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2022, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	\$ 1,632
JPY	98,905
EUR	1,278

(2) Contingencies-Lawsuit

A. Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Company with the Taipei District Court in September 2019. TCB claimed that the former employees of the Company colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled with the fact that New Site and New Brite has accounts receivable due from the Company, causing damage to TCB. Therefore, TCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.

B. DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in September 2019. The former

employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc. (hereinafter referred to as New Site) to make the false statements. DBS was misled with the fact that New Site has accounts receivable due from the Company and Formosa Dong Nai, causing damage to DBS. Therefore, DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated December 30, 2022, the Taipei District Court has rejected the claims filed by DBS. Consequently, DBS filed an appeal in January 2023. The ultimate outcome of the appeal and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.

- C. O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin Young) to make false statements. O-Bank was misled with the fact that I Chin Young has accounts receivable due from the Company and Formosa Dong Nai, causing damage to O-Bank. Therefore, O-Bank claimed that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated February 10, 2023, the Taipei District Court has rejected the claims filed by O-Bank. O-bank is expected to file an appeal in accordance with related laws. The ultimate outcome of the appeal and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.
- D. Yuanta Commercial Bank (hereinafter referred to as YCB) filed a merger of action in criminal and civil prosecution against against the Company with the Taipei District Court in October 2020. The former employees of the Company colluded with Loomtech Industries Inc. (hereinafter referred to as Loomtech) to make false statements. YCB was misled with the fact that Loomtech has accounts receivable due from the Company, causing damage to YCB. Therefore, YCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.
- E. Taiwan Business Bank (hereinafter referred to as TBB) filed a merger of action in criminal prosecution against the Company and its subsidiary - Formosa Taffeta Dong Nai. The former employees of the Company colluded with New Site, New Brite and I Chin Young to make false statement. TBB was misled with the fact that New Site, New Brite, I Chin Young have accounts receivable due from the Company and Formosa Taffeta Dong Nai, causing damage to TBB.

Therefore, TBB claimed that the Company and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employees. As of November 4, 2022, however, the civil litigation of the case had not been judged. Hence, the ultimate outcome of this litigation is not presently determinable. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.

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

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

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

#### 12. OTHERS

##### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings and short-term bills payable' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

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

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 33,360,697	\$ 42,001,529
Financial assets at amortized cost	5,995,711	4,868,393
	<u>\$ 39,356,408</u>	<u>\$ 46,869,922</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 2,826	\$ -
Financial liabilities at amortized cost	13,687,083	12,669,153
	<u>\$ 13,689,909</u>	<u>\$ 12,669,153</u>

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties) and other receivables; financial liabilities at amortized cost includes short-term borrowings, short-term notes and bills payable, notes and accounts payable (including related parties), other payables and long-term borrowings.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Company focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Some of the Company's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities are as follows:

December 31, 2022			
Foreign Currency			
	Amount		Book Value
	(In Thousands)	Exchange Rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 139,891	30.71	\$ 4,296,053
EUR:NTD	4,074	32.75	133,424
<u>Non-monetary items</u>			
VND:NTD	5,155,893,393	0.0013	6,702,661
HKD:NTD	308,472	3.93	1,212,295
RMB:NTD	736,584	4.47	3,292,530
CHF:NTD	32,996	33.22	1,096,127

December 31, 2021			
Foreign Currency			
	Amount		Book Value
	(In Thousands)	Exchange Rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 118,120	27.69	\$ 3,270,743
JPY:NTD	418,997	0.24	100,559
EUR:NTD	5,218	31.32	163,428
<u>Non-monetary items</u>			
VND:NTD	5,299,065,790	0.0012	6,358,879
HKD:NTD	339,811	3.54	1,202,931
RMB:NTD	694,474	4.34	3,014,017
CHF:NTD	34,147	30.18	1,030,556

- ii. The total exchange gain and loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$385,159 and (\$97,178), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:



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

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

Price risk

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

- ii. The Company's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$23 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$333,607 and \$420,015, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rate were denominated in the NTD.
- ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$76,800 and \$77,600, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Company applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vii. The Company uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable and accounts receivable and contract assets. On December 31, 2022 and 2021, the provision matrix are as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2022</u>					
Expected loss rate	0%	9%	100%	100%	
Total book value	\$ 1,692,882	\$ 37,151	\$ 18,376	\$ 3,547	\$ 1,751,956
Loss allowance	6,405	3,350	18,376	3,547	31,678
	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2021</u>					
Expected loss rate	1%	3%	91%	100%	
Total book value	\$ 2,120,579	\$ 33,254	\$ 22	\$ 5,429	\$ 2,159,284
Loss allowance	25,309	920	20	5,429	31,678

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

	Year ended December 31, 2022	
	Notes receivable	Accounts receivable
At January 1 (As at December 31)	\$ -	(\$ 31,678)
	Year ended December 31, 2021	
	Notes receivable	Accounts receivable
At January 1 (As at December 31)	\$ -	(\$ 31,678)

(c) Liquidity risk

- i. The Company's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Company's investments in equity financial instruments without active markets are exposed to liquidity risk.
- ii. Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 140,194	\$ 122,062	\$ 298,605	\$ 276,880
Long-term borrowings (including current portion)	-	8,340,829	1,429,000	-

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 80,798	\$ 153,985	\$ 257,435	\$ 260,802
Long-term borrowings (including current portion)	-	9,777,005	-	-

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

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

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

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

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

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the balance sheet date.
- iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- iv. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

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

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

G. The accounting segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

The accounting department sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS. The related valuation results are reported to the supervisor of accounting department monthly. The supervisor is responsible for managing and reviewing valuation processes.

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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non- derivative equity instrument:				
Unlisted shares	\$ 90,521	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	2,319,137	Net asset value	Not applicable	Not applicable
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non- derivative equity instrument:				
Unlisted shares	\$ 127,332	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	4,753,356	Net asset value	Not applicable	Not applicable



- I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022		
		Recognized in other comprehensive income		
		Favourable		
	Input	Change	change	Unfavourable
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%		
			\$ 905	\$ 905
		December 31, 2021		
		Recognized in other comprehensive income		
		Favourable		
	Input	Change	change	Unfavourable
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%		
			\$ 1,273	\$ 1,273

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the year ended December 31, 2022 are stated as follows. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent auditors. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

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

(4) Major shareholders information

Major shareholders information: Refer to table 8.

14. SEGMENT INFORMATION

None.

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

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed  Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/g uarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 36,248,689	\$ 1,063,095	\$ 1,013,430	\$ 15,355	\$ -	1.82	\$ 72,497,379	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	36,248,689	1,707,395	1,627,630	358,557	-	2.92	72,497,379	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	36,248,689	1,771,825	1,689,050	160,731	-	3.03	72,497,379	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	36,248,689	4,042,983	3,854,105	2,418,137	-	6.91	72,497,379	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	36,248,689	1,953,531	-	-	-	-	72,497,379	N	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories.

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 1.3 times of the Company's net assets, and limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.

## FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 857,957	0.21	\$ 857,957	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	35	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	56	-	56	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	34,236	0.01	34,236	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	333,000	2.35	333,000	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	394,804	0.25	394,804	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	29,330,986	3.83	29,330,986	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	234,166	5,532	0.54	5,532	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	38,335	10.00	38,335	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	903,247	31,918	1.20	31,918	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	265,147	3.00	265,147	
FORMOSA TAFFETA CO., LTD.	NKFG	Other related party	Non-current financial assets at fair value through other comprehensive income	5,540,000	\$ 14,736	2.50	\$ 14,736	
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	2,053,990	3.85	2,053,990	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	58,669	0.13	58,669	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions												Footnote (Note 2)
Transaction						(Note 1)		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)		
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 281,476) (	1.08)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 65,727	3.55	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	( 226,250) (	0.86)	Pay 120 days after delivery	-	-	Accounts receivable	41,795	2.25	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Subsidiary	Sales	( 179,428) (	0.69)	60 days after monthly billings	-	-	Accounts receivable	43,013	2.32	
FORMOSA TAFFETA CO., LTD.	Schoeller Asia CO.Limited	Other related party	Sales	( 115,639) (	0.44)	Pay by mail transfer 14 days after delivery	-	-	Accounts receivable	5,856	0.00	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Purchases	10,484,941	46.34	Pay every 15 days by mail transfer	-	-	Accounts payable	( 546,996) (	50.75)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,411,121	6.24	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	( 186,163) (	59.37)	
									Accounts payable	( 296,957) (	27.55)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	651,634	2.88	Pay every 15 days by mail transfer	-	-	Accounts payable	( 37,197) (	3.45)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	227,086	1.00	Pay every 15 days by mail transfer	-	-	Accounts payable	( 11,195) (	1.04)	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	( 227,575) (	11.36)	60 days after monthly billings	-	-	Accounts receivable	56,644	33.76	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 214,005) (	10.68)	60 days after monthly billings	-	-	Accounts receivable	22,256	13.26	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	134,914	12.58	60 days after monthly billings	-	-	Accounts payable	( 15,872) (	59.25)	
FORMOSA TAFFETA VIETNAM CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(\$ 127,134) (	4.96)	60 days after monthly billings	\$ -	-	Accounts receivable	\$ 20,032	6.48	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	294,219	15.33	60 days after monthly billings	-	-	Accounts payable	( 25,352) (	28.92)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	( 262,857) (	6.12)	60 days after monthly billings	-	-	Accounts receivable	24,225	4.07	

## FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions												
			Transaction				(Note 1)		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)	Footnote (Note 2)
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	( 288,738)	( 6.72)	60 days after monthly billings	-	-	Accounts receivable	32,226	5.42	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 387,346)	( 9.02)	60 days after monthly billings	-	-	Accounts receivable	95,307	88.06	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	648,679	17.32	60 days after monthly billings	-	-	Accounts payable	( 47,882)	( 22.74)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	482,940	12.89	60 days after monthly billings	-	-	Accounts payable	( 76,824)	( 36.49)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORP.	Other related party	Purchases	130,485	3.48	60 days after monthly billings	-	-	Accounts payable	( 8,363)	( 3.97)	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: The transactions are disclosed by presenting revenues. The related transactions are not disclosed.

FORMOSA TAFFETA CO., LTD.  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: The amount of transactions which is listed in the table is determined by its material.

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

Table 5

Expressed in thousands of NTD (Except as otherwise indicated)											
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee for the year ended December 31, 2022	recognized by the company for the year ended December 31, 2022	
									(Note 2(2))	(Note 2(3))	
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	\$ 114,912	\$ 114,912	16,100,000	100.00	\$ 188,540	\$ 8,177	\$ 5,983	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	1,762,711	1,762,711	135,686,472	30.68	5,260,936	2,055,289	630,622	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,213,683 (	22,211) (	22,211)	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,332,278	87,853	87,853	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producon of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.98	1,427,806	1,176,153	211,005	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,806,938	2,590,434	-	100.00	2,908,996 (	11,187) (	11,187)	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	1,626,376 (	1,941,578) (	194,158)	
FORMOSA TAFFETA CO., LTD.	SCHOELLER TEXTIL AG	Switzerland	Textile R&D, production and sales	1,285,507	1,285,507	21,874	50.00	1,096,100 (	79,380) (	39,690)	



## FORMOSA TAFFETA CO., LTD.

## Information on investees

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee for the year	recognized by the	
									ended December 31, 2022 (Note 2(2))	company for the year ended December 31, 2022 ( Note 2(3) )	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INCORPORATION	Taiwan	Manufacturing, installing, and supervising the engineer design of LED illumination systems/illumination arrangements	\$ 263,327	\$ 263,327	7,013,871	15.22	\$ 190,818	\$ 144,992	\$ 22,064	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	18,011	2,055,289	2,182	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	15,115	5,716	5,716	
PUBLIC MORE INTERNATIONAL COMPANY LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producon of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	1,591	1,069	15,000	0.01	1,732	1,176,153	160	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the year ended December 31, 2022' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

FORMOSA TAFFETA CO., LTD.  
Information on investments in Mainland China  
For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method ( Note 1 )	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 ( Note 2 )	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 234,151	100.00	\$ 234,151	\$ 2,185,356	\$ 43,914	Note 3
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	( 30,589)	100.00	( 30,589)	1,077,542	-	Note 4
CHANG SHU YU YUAN DEVELOPMENT CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	18	40.78	7	-	-	Note 5

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: The amount of 'Investment income (loss) recognized by the Company for the year ended December 31, 2022 was derived from financial statements which were reviewed by independent auditors.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 and December 31, 2022 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 is US\$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2022 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,424,944	\$ 33,460,329
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,289,820	33,460,329

Note :

(1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.

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

(3)The original currency of paid-in capital was translated at USD:TWD = 1 : 30.71

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property		Accounts receivable		Provision of endorsements/guarantees		Financing				
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended	Balance at December 31, 2022	Interest rate	Interest during the year ended	Others
									December 31, 2022			December 31, 2022	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 13,933	0.05	\$ -	-	\$ 1,469	0.08	\$ 1,013,430	For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	4,836	0.02	-	-	404	0.02	1,689,050	For short-tem loans from financial institutions	-	-	-	-	

## FORMOSA TAFFETA CO., LTD.

## Information on Major Shareholders

December 31, 2022

Table 8

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

Formosa Taffeta Co., Ltd.

Chairman: Wong Wen-yuan

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