

股票代碼：1444



**LEALEA Enterprise Co., Ltd.**

**2020 Annual Report**



Published Date: May 25, 2021

Public Information Website: <https://mops.twse.com.tw>

Corporate Website: <https://www.lealea.com.tw>

## **I. Spokesperson & Deputy Spokesperson**

### **Spokesperson**

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Title: Vice President

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### **Deputy Spokesperson**

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Title: Vice President

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## **II. Headquarters, Branches & Plants**

### 1. Headquarter

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### 2. Changhua Drawn-texturing yarn Factory I

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Tel: +886-4-8953266

### 3. Changhua Drawn-texturing yarn Factory II

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Tel: +886-4-8953789

### 4. Changhua Polyester Fiber Factory

Address: No.38, Gongye Rd., Fangyuan Township, Changhua County 528, Taiwan (R.O.C.)

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## **III. Common Share Transfer Agent and Registrar**

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## **IV. Auditors**

Company: Deloitte & Touche

Auditors: CHIU, MING-YU · WU, KE-CHANG

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## **V. Overseas Securities Exchange and Relevant Info: N/A**

## **VI. Corporate Website: <http://www.lealea.com.tw/>**

### Notice to readers

This is a translation of the 2020 annual report. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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# I. Letter to Shareholders

Ladies & Gentlemen,

## 1. 2020 Business Results

### (1) Project Implementation Results :

In 2020, global economic activities have long-term adverse effects due to the COVID-19 epidemic. Lealea's business situation has gradually stabilized at the end of the 2nd quarter, due to the increased momentum of downstream customers' purchasing goods. In the case of the increasing demand for processed silk and insufficient production capacity, the market demand exceeded supply, and product prices have risen since the end of the 3rd quarter. Due to the increasing demand, oil prices have also continued to remain high-end, leading to the high-end prices of spinning raw materials such as PTA and EG. It is estimated that the prices of processed silk, polyester, nylon and other spinning products can maintain the upward trend in the 2nd half of the year and show a steady upward trend. The Company's consolidated operating revenue in 2020 was NT\$8.374 billion, a decrease of 30.27% from 2019; the net profit after tax was NT\$-424.83 million. The major sales products include 70,929 tons of processed silks, 73,914 tons of ester granules for bottles, 51,706 tons of polyester granules, and 5,384 tons of polyester raw silks.

### (2) Budget Execution Status :

None, the Company only set internal budget targets for 2020 and did not disclose financial forecasts to the public.

### (3) The Analysis of Financial Income and Expenses and Profitability:

The company's 2020 operating revenue that without subsidiaries is NT\$7.322 billion; net profit after tax is NT\$-357.44 million; net profit ratio after tax is -4.88%, a decrease of 5.37% from 2019; earnings per share is NT\$-0.38, a decrease of NT\$0.44 from 2019. The 2019 unconsolidated subsidiaries of various financial income and expenses and profitability of the Company are shown in the following table.

Unit : In Thousands of New Taiwan Dollars

Item		2019	2020	Increase (Decrease) Amount and Ratio
Financial Income and Expenses	Operating Revenues	10,554,982	7,322,391	-3,232,591
	Operating Cost	9,764,132	7,021,196	-2,742,936
	Net Profit before Tax	96,104	-409,193	-505,297
	Net Income	52,588	-357,444	-410,032
Profitability	Return on Assets (%)	0.57	-2.07	-2.64
	Return on Shareholders' Equity (%)	0.50	-3.48	-3.98
	Pre-Tax Profit to Paid-in Capital Ratio (%)	1.00	-4.27	-5.27
	Net Profit Rate (%)	0.49	-4.88	-5.37
	Earnings per Share (NT\$)	0.06	-0.38	-0.44

### (4) Status of Research and Development :

The current global industrial development is based on the theme of green recovery and a sustainable future. Circular economy is an important part of promoting green recovery around the world. The company actively invests in "circular economy", from raw materials, product's manufacturing, process improvement and waste treatment, etc., to minimize waste and recycle waste to create new value. The Company continues to develop a variety of eco-friendly textiles, such as eco-friendly recycled polyester fiber (RePET), eco-friendly dope dyed fiber (Ecoya) and eco-friendly recycled dope dyed fiber (ReEcoya), etc. In addition to the advantages of high-quality products, in terms of friendly environment, they also have the functions of recycling, waste reduction, energy saving and water saving. The Company's mass-produced products are listed in the following table :

Type of Yarn	Application	Characteristics
ReEcoya	Upholstery, curtain, interior of automotive, garment	Eco-friendly and high fastness
Barcode, Barcode II	Weaving, Knitting, Upholstery, Sportswear, Casualwear	To have the trend of fashion of garment and upholstery. Each yarn has several dark and light stripes to reach the unique beauty for high-end fabrics.
Crystalea	Knitting, Upholstery, Sportswear, Casualwear	Bling appearance with natural touch to reach the attraction of fashion
Oceaya	Sportswear, casualwear, garment	Eco-friendly, anti-static, odorizing, anti-bacterial, keep warm
Thousand feather yarn	Knitting, sportswear, casualwear, pants	Cotton-like appearance and hand touch
Eco recycle low-melting fiber	Sportswear, casualwear, garment	Eco-friendly, low melting and applied to laminated material
Bio-degradable fiber	Knitted, Woven, Warp knitting, Sportswear, Casualwear	Effect of Bio-degradable
TPEE (Thermoplastic Polyester Elastomer)		Effect of waterproof and ventilation
CRZ Eco Fiber		Made of recycled material without petrochemical, Saving natural resource and reduce environmental burden, Excellent quality and used for any applications
High Stretch Yarn	Weaving, Knitting, Sportswear, Casualwear	Good stretch, bulky hand touch, abrasion resistance
Wooly High-stretch yarn	Weaving, Knitting, Sportswear, Suits and pants	Cotton-like appearance and hand touch, good stretch
Lucus	Weaving, Knitting, Upholstery, Sportswear, Casualwear	Linen-like appearance and hand touch, light weight and dry

**2. Summary of 2021 Business Plan :**

This year, the Company defines its operational policy as the “Year of Leap Forward”, with the overall spirit of the operational policy of “with one heart, laying a sustainable foundation, surpassing the strong boundaries, and breaking through international changes”. The global economy has been shock by the COVID-19. All people in Taiwan highly respect and cooperate with the government's various epidemic prevention measures. All industries also have professional epidemic prevention attitudes and autonomous health management awareness, etc., to achieve such epidemic prevention results. The Company has always adhered to the founder Mr. Kuo, Mu-Sheng’s business philosophy of “Diligence and Frugality, Solidity, Proactive, and Innovation” to strengthen and upgrade the core strength of the Company. In addition to strengthening overseas Indonesian bases, the Company also comprehensively improves the quality of products, cuts into the business opportunities of 3C electronic application, strengthens the operational momentum, promotes corporate social responsibility and continues to protect the earth with the practical actions of saving energy and reducing carbon, so as to achieve the Company’s mission and goal of sustainable business.

**3. The Future Development Strategy of the Company, the Impact of the External Competitive Environment, the Regulatory Environment and the Macroeconomic Conditions :**

In 2020, facing the threat of the continued spread of COVID-19, various industries are also facing unprecedentedly significant challenges, and the textile industry also cannot escape the impact of this epidemic. Even though the epidemic is raging, the issue of circular economy continues to be feverish, the Company actively uses Eco-friendly Polyester Original Color Drawn Yarn Ecoya to enter the supply chain of Apple’s new AirPods Max, will continue to eliminate the old and update equipment and transforms the straight spinning line into a special grain spinning line of the chemical fiber plant to meet the needs of the RCEP region. The Company also plans the expansion of the false twist production plant in Indonesia to complete the integration of yarn, weaving and dyeing

early to reduce production costs and reduce the impact of RCEP on tariffs. The mentality of customers to purchase goods to replenish inventory has become stronger. Therefore, the operation in the 1st quarter of this year should be viewed as positive growth. In order to maintain the normal operation of the Company when the epidemic is raging, LEALEA continues to strengthen the investigation of the travel history of employees and their relatives and friends in various departments, and cooperates with the government's epidemic prevention policies to reduce overall operational risks.

Another major strategy this year is the establishment of the Electronic Materials Division, which is responsible for the research and development of products that use polyester fiber in eco-friendly recycling and 3C electronic cross-industry cooperation and development products, and expanding the trend of chemical fiber products towards diversification, composite and customization to enhance the overall profitability of the group.

With the China-US trade war and the epidemic spread of COVID-19, the supply chain of global textile has gradually moved south to the Southeast Asian market. The high tariffs imposed by the United States on China have led to a serious decline in the economy. Branded apparels are deeply afraid of future impact, and many companies have withdrawn orders from China and some orders have been transferred to Taiwan that has become beneficiaries under the trade war.

Well-known foreign sports brands have gradually returned to their levels before the epidemic, customers have resumed their orders. Coupled with rising oil prices and adjustments in the price of textile products, the group's diversified products have been used in industries such as vehicle materials, apparel, and technology, etc. The trend of economic recovery should increase the company's profitability in the future. Improve the financial physique, adapt to the challenges of the changeable environment, and make full use of the overall corporate resources to continuously enhance the company's operating performance and create maximum profits for the Company. We sincerely hope that all shareholders will continue to support and encourage the Company. We would like to express our highest gratitude to you and wish you all good health and all the best!

Chairman: KUO,SHAO-YI

Manager: KUO, SHAO-YI

Accounting Supervisor: HSU, LI-HSUEH

## II. Company Profile

### 1. Date of Incorporation: January 15, 1979

### 2. Company History:

- (1) The company was set up in mid-December 1978 by the chairman of the board, Mr. Guo Musheng, with a paid-in capital of NT\$16 million at the time of establishment, obtained approval from government on January 15, 1979, purchased factory land in Zhongli Industrial Zone, Taoyuan County.
- (2) In 1981, Zhongli No. 1 Factory and Zhongli No. 2 Factory completed the construction of factories to produce polyester fiber textured yarn.
- (3) In 1988, the company was merged with the Liwen Company, and the Liwen Factory (established in 1980) in the Zhongli Industrial Zone was formally renamed to the Zhongli No. 3 Factory.
- (4) In 1989, the land in Fangyuan Industrial Zone, Changhua County was purchased. The Changhua No. 1 factory was built at the end of 1990. The friction type false twister was purchased. In the fourth quarter of 1991, the trial run and mass production were continued to diversify the products. Supply of textured yarn to downstream is more abundant.
- (5) The stocks were officially listed for share flotation on the Taiwan Stock Exchange on August 8, 1990.
- (6) In 1993, the company increased cash capital with special stock issuance, surplus capital increase and capital reserve capitalization for issuance of ordinary shares, planed to purchase additional new false twisting machines, and completed mass production and sales in the fourth quarter of 1994.
- (7) In September of 1994, for the continuity of production process and integration of the production capability of polyester fiber, a cash capital increase was processed to build a POY factory.
- (8) In December of 1994, the products produced by each factory have obtained ISO-9001 international certification and registration.
- (9) The POY factory was established in 1995, and trial and mass production was completed in the fourth quarter of 1997.
- (10) In 1997, ISO-14001 was deployed to sustain environmental protection quality, and Changhua No. 1 factory was certified in June of 1998.
- (11) In 2001, some old false twisters, double twisters and related accessory equipments were replaced. The employees of Zhongli No. 1 and No. 2 factories reviewed and adjusted redundant manpower according to business adjustment, and laid off some employees.
- (12) On August 31, 2001, Changhua No. 1 factory obtained three-in-one ISO certification (ISO9001 quality management, ISO14001 environmental management and OHSAS18001 safety and health management).
- (13) The shareholders' meeting approved on June 30, 2003, to invest NT\$1,002 million to purchase the Changhua false twist factory from Soly Tech Co., Ltd. in order to expand industry scale.
- (14) In 2008, coal-fired boilers replaced oil-fired equipment, and they were put on production in 2009.
- (15) In 2009, the production line of spinning ester pellet was reactivated, and solid-state polymerization equipment was invested to increase the production line of bottle ester pellet. It was completed and officially put on production in October of 2010.
- (16) Beginning at 2009 year end, 34 false-twisting machines were replaced with new ones. They were installed and put on production in 2010, and they fully produced for selling in 2014.
- (17) In February of 2010, the company was verified by Control Union, an international environmental certification organization, and became the first PET bottle recycled fiber manufacturer in Taiwan to obtain the GRS (Global Recycle Standard) global recycling standard.

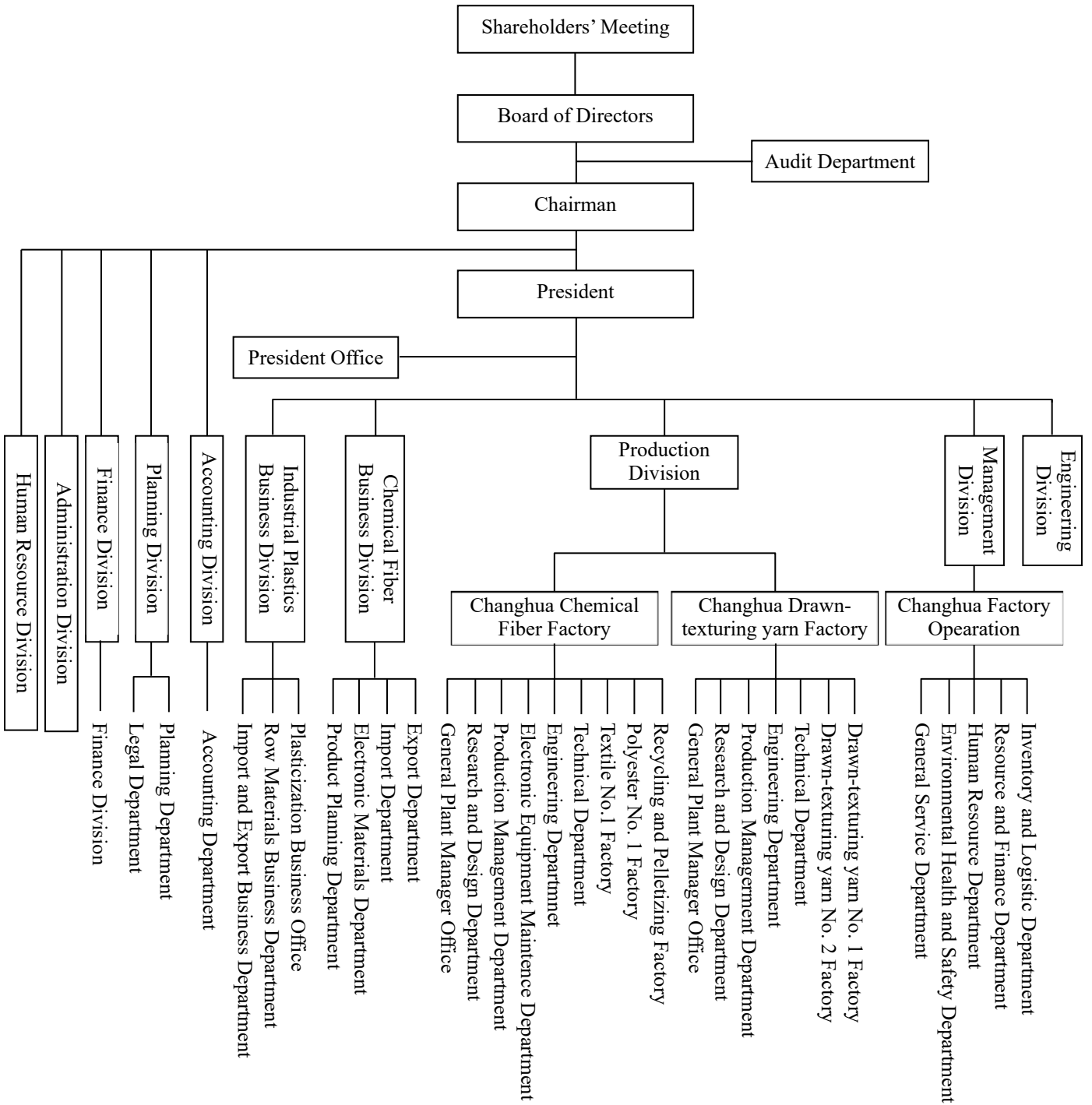


- (18) In June of 2012, the company invested NT\$644,169 thousand to purchase land located in Fangyuan Industrial Zone from Taiwan Cement Chemical Corporation for following production planning.
- (19) In 2013, the latest "fluidized bed" thermal coal boiler introduced from Germany was completed and used, and the company was the first chemical fiber plant to use a "fluidized bed" thermal coal boiler in the world.
- (20) In 2013, new polyester polymerization equipment was added, and mass produced in November of 2014 to produce high value-added polyester pellets.
- (21) In 2015, the latest ORCA coiling equipment was introduced from Japan, and mass production was kicked off at the year end to produce special functional products such as fine denim and environment-friendly recycled ultra-fine denim fibers.
- (22) In April of 2017, the company purchased 70% of the shares of a textile company in Indonesia and completed the transaction in the same month, set up the first overseas branch office.
- (23) From April of 2017 to June of 2020, the Indonesian subsidiary increased its capital by a total of US\$65.5 million to renovate factories and purchase new machines and other equipment to strengthen the competitiveness of overseas production base.
- (24) The "Electronic Materials Division" was established on September of 2020, which is responsible for the research and development of the usage of polyester fibers in environment friendly recycling, 3C electronics products.

### III. Corporate Governance Report

#### 1. Organization

##### 1.1 Organizational Structure



**1.2 Functions and Responsibilities of Main Divisions**

Department	Responsibility
President Office	Set up operation target, develop business plan and roll out and review management rules, evaluate raw materials orders, control business management.
Audit Department	Audit overall business operation, analyze risk and provide advice for improvement.
Changhua Production False Twister Factories:	
Drawn-texturing yarn No. 1 and No. 2 Factories	Responsible for the processing and production of polyester fiber processing silk.
Technical Department	Responsible for research and quality assurance verification.
Engineering Department	Responsible for maintenance, repairing and increasing of production equipments.
Production Management Department	Arrange and control production schedule.
Research and Design Department	Review future direction of research and roll out research management system.
General Plant Manager Office	Supervise engineering, inventory, product design and after-sales service.
Changhua Production Chemical Fiber Factories:	
Recycling and Pelletizing Factory	Responsible for recycling pelletizing of waste fiber yarn, downgraded yarn and scrap.
Polyester No. 1 Factory	Responsible for polyester production process.
Textile No.1 Factory	The matters related to production of all kinds of polyester oriented yarn.
Technical Department	Responsible for research and quality assurance verification.
Engineering Department	Responsible for maintenance, repairing and increasing of production equipments.
Electronic Equipment Maintenance Department	Manage, maintain, and repair all electronics equipments.
Production Management Department	Arrange and manage production schedule.
Research and Design Department	Review future direction of research and roll out research management system.
General Plant Manager Office	Supervise engineering, inventory, product design and after-sales service.
General Management Division – Changhua Factory Operation	Responsible for factory warehouse management, inventory and logistic, public equipment repairment, environmental health and safety, general services, human resource, and materials and asset plan and management.
Engineering Department	Responsible factory construction and engineering arrangement.
Chemical Fiber Business Division	Sales of polyester pellet, polyester oriented yarn, polyester processed silk applied on textile and electronics equipments.
Industrial Plastics Business Division	Purchase of bulk raw materials, sales of bottled polyester pellets and various types of industrial plastic polyester pellets, review of negotiation documents, etc.
Accounting Division	Establishment of accounting system, various types of billing, tax, cost accounting and stock affairs.
Planning Division	Operation analysis, project planning, electronization implementation planning, rules or system adjument, company publicity materials production, company legal suits handling and contract review.
Finance Division	Cashier and capital allocation.
Administration Devison	Various types of administration and procurement contracting out.
Human Resource Division	Recruitment, planning, personnel operation, training, foreign employee management, business trip management and compensation management.

## 2. Information of Directors, President, Vice President, Senior Managers, Department and Branch Office Managers

### 2.1 Information of Directors (1)

April 25, 2021

Title	Nationality or Place Incorporation	Name	Gender	Appointment (Assumption) Date	Term of Office	First Appointment Date	Shareholding When Appointed		Current Shareholding		Spouses' and Minor Children's Shareholding		Shareholding in Other People's Names		Main Experience (Education)	Current Adjunct Position in the Company or Other Companies	Other Executives, Directors or Supervisors Who Have Relationship with Spouses or Second Class Relatives			Remarks
							Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio			Title	Name	Relationship	
Chairman	Republic of China	Kuo, Shao-yi	Male	2016.06.08	3 Years	2001.06.13	13,475,123	1.41%	13,673,114	1.43%	5,813,330	0.61%	76,336,784	7.97%	National Taiwan University EMBA, College of Management, International Business	Lealea President Lipeng Enterprise Chairman/President Lealea Technology, Liling Technology, Apex Fong Yi Technology Lea Jie Energy, Tung Ting Investment, Eton Petrochemical, Libolon Energy, PT. INDONESIA LIBOLON FIBER SYSTEM Chairman	Representative Director	Kuo, Shu-chen	Siblings	Remarks
Director	Republic of China	Hung, Tsung-chi	Male	2016.06.08	3 Years	2007.06.15	2,531,920	0.26%	3,031,920	0.32%	1,042,935	0.11%	0	0	Feng Chia University Department of Industrial and Engineering and Systems Management	PT. INDONESIA LIBOLON FIBER SYSTEM Vice President	None	None	None	
Director	Republic of China	Tung Ting Investment Co., Ltd.	-	2016.06.08	3 Years	2010.06.17	76,336,784	7.97%	76,336,784	7.97%	0	0	0	0	None	Li Ling Film President	None	None	None	
		Representative: Chen, Han-ching	Male	2019.03.15			0	0	23,574	0	110	0	0	0	Nanya Industrial College Department of Fiber and Industry	Lealea Vice President, Lea Jie Energy, PT. INDONESIA LIBOLON FIBER SYSTEM Director, Li Ling Film and Li Shing Investment Supervisor	None	None	None	
Director	Republic of China	Li Peng Enterprise Co., Ltd.	-	2016.06.08	3 Years	2004.06.03	71,290,197	7.45%	71,743,197	7.49%	0	0	0	0	None	Li Muo Investment, Li Shing Investment, Hung Shing Investment Chairman	None	None	None	
		Representative: Kuo, Shu-chen	Female				1,403,665	0.15%	1,601,655	0.17%	0	0	0	0	Yale University Master of Business Management, Master of Public Health	Rich Development and Forest Water Environment President, Lealea Hotels and Resorts Director, Li Peng Enterprise Representative Director	Chairman	Kuo, Shao-yi	Siblings	
Director	Republic of China	Li Zan Investment Co., Ltd.	-	2019.06.12	3 Years	2019.06.12	6,101,375	0.64%	6,101,375	0.64%	0	0	0	0	None	None	None	None	None	
		Representative: Kuo, Chi-an	Male				0	0	0	0	0	0	0	0	0	0	Fort Hays State University Department of Business Management	Rich Development, Lealea Hotels and Resorts, Forest Water Environment, Lea Crane Investment Ho Ching Enterprises Director	None	None



Title	Nationality or Place Incorporation	Name	Gender	Appointment (Assumption) Date	Term of Office	First Appointment Date	Shareholding When Appointed		Current Shareholding		Spouses' and Minor Children's Shareholding		Shareholding in Other People's Names		Main Experience (Education)	Current Adjunct Position in the Company or Other Companies	Other Executives, Directors or Supervisors Who Have Relationship with Spouses or Second Class Relatives			Remarks
							Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio			Title	Name	Relationship	
Director	Republic of China	Shun Yu Investment Co., Ltd.	-	2016.06.08	3 Years	2013.06.13	15,359,913	1.60%	15,359,913	1.60%	0	0	0	0	None	Li Peng Enterprise, Rich Development Director	None	None	None	
		Representative: Kuo, Ko-chung	Male				0	0	330,000	0.03%	0	0	0	0	San Maring High School	Li Peng Enterprise, Rich Development Representative Director	None	None	None	
Independent Director	Republic of China	Lee, Daw-ming	Male	2016.06.08	3 Years	2016.06.08	0	0	0	0	0	0	0	Asia University Department of Business Administration	Yakult President	None	None	None		
Independent Director	Republic of China	Lu, Chi-chant	Male	2016.06.08	3 Years	2016.06.08	0	0	0	0	0	0	0	National Taiwan University Department of Mechanical Engineering	Nyquest Technology, HannStar Board Global Brands Manufacture Independent Director	None	None	None		
Independent Director	Republic of China	Ou, Yu-lun	Male	2016.06.08	3 Years	2016.06.08	0	0	0	0	0	0	0	National Taiwan University Department of Law	Cheng Yang International Law Group Partner and Lawyer, Zig Sheng Industrial Co., Ltd Independent Director	None	None	None		

Remarks : The chairman and president are the same person as there was no other suitable candidate which was a rational decision as the chairman possessed complete experience who started his career from entry level job, and a necessary decision that the chairman could make quick decision and fully demonstrate flexibility and efficiency on operation. This resolution would be deployed in 2023 according to law.

**Table 1: Major Institutional Shareholders**

April 25, 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Shareholding %
TUNG TING INVESTMENT CO.,LTD.	KUO, SHAO-YI	66.67%
	YANG, I-LIN	33.33%
LI PENG ENTERPRISE CO.,LTD.	LEALEA ENTERPRISE CO., LTD.	15.89%
	LI HAO INVESTMENT CO., LTD.	5.38%
	LI MUO INVESTMENT CO., LTD.	3.74%
	LI ZAN INVESTMENT CO., LTD.	3.42%
	HUNG SHING INVESTMENT CO., LTD.	2.69%
	CHIH HSIANG INVESTMENT CO., LTD.	2.34%
	LI SHING INVESTMENT CO., LTD.	1.86%
	HONG YI INVESTMENT CO., LTD.	1.65%
LI ZAN INVESTMENT CO., LTD.	KUO, CHUAN-CHING	1.39%
	YIRONG INVESTMENT CO., LTD.	1.32%
SHUN YU INVESTMENT CO., LTD.	LEALEA ENTERPRISE CO., LTD.	53.17%
	LI PENG ENTERPRISE CO., LTD.	46.83%
SHUN YU INVESTMENT CO., LTD.	KUO, CHUN-NAN	52.94%
	HSU, PI-YUAM	32.94%
	KUO, KER-RONG	3.53%
	KUO, KO-CHUNG	3.53%
	KUO, KE-WEN	3.53%
	KUO, KE-PING	3.53%

**Table 2: Major Shareholders of Institutional Shareholders in Table 1**

April 25, 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Shareholding %
LEALEA ENTERPRISE CO., LTD.	TUNG TING INVESTMENT CO., LTD.	7.97%
	LI PENG ENTERPRISE CO., LTD.	7.49%
	LI MUO INVESTMENT CO., LTD.	5.34%
	LI SHING INVESTMENT CO., LTD.	3.65%
	HUNG SHING INVESTMENT CO., LTD.	3.52%
	CHIH HSIANG INVESTMENT CO., LTD.	2.57%
	KAI HSIANG INVESTMENT CO., LTD.	2.26%
	SHUN YU INVESTMENT CO., LTD.	1.60%
	KUAN HSIANG INVESTMENT CO., LTD.	1.49%
LI HAO INVESTMENT CO., LTD.	KUO, SHAO-YI	1.43%
	LEALEA ENTERPRISE CO., LTD.	53.38%
LI MUO INVESTMENT CO., LTD.	LI PENG ENTERPRISE CO., LTD.	46.62%
	LEALEA ENTERPRISE CO., LTD.	46.62%
LI ZAN INVESTMENT CO., LTD.	LI PENG ENTERPRISE CO., LTD.	53.38%
	LEALEA ENTERPRISE CO., LTD.	46.62%
HUNG SHING INVESTMENT CO., LTD.	LI PENG ENTERPRISE CO., LTD.	53.17%
	LEALEA ENTERPRISE CO., LTD.	46.83%
HUNG SHING INVESTMENT CO., LTD.	LI PENG ENTERPRISE CO., LTD.	53.02%
	LEALEA ENTERPRISE CO., LTD.	46.98%

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Shareholding %
CHIH HSIANG INVESTMENT CO., LTD.	SHUN YU INVESTMENT CO., LTD.	14.58%
	KUO, SHAO-YI	13.74%
	HSU, PI-YUAM	13.39%
	KUO, KO-CHUNG	11.68%
	HUNG HSIANG INVESTMENT CO., LTD.	11.04%
	KAI HSIANG INVESTMENT CO., LTD.	10.88%
	KUO, CHUN-NAN	9.94%
	HSU, YUNG-CHIEEN	7.17%
	YANG, I-LIN	6.05%
	LIN, CHIEN-CHIEN	1.53%
LI SHING INVESTMENT CO., LTD.	LI PENG ENTERPRISE CO., LTD.	53.00%
	LEALEA ENTERPRISE CO., LTD.	47.00%
HONG YI INVESTMENT CO., LTD.	KUO, SHAO-YI	50.00%
	YANG, I-LIN	50.00%
YIRONG INVESTMENT CO., LTD.	KUO, SHAO-YI	37.50%
	YANG, I-LIN	37.50%
	KUO, TZU-YU	25.00%

## 2.1 Information of Directors (2)

April 25, 2021

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(remarks)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Other Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12		
Kuo, Shao-yi			✓												✓	✓	None
Kuo, Chi-an			✓	✓		✓	✓	✓	✓	✓	✓		✓	✓			None
Hung, Tsung-chi			✓			✓		✓	✓	✓			✓	✓	✓		None
Chen, Han-ching			✓			✓	✓	✓		✓	✓		✓	✓			None
Kuo, Shu-chen			✓	✓		✓		✓		✓				✓			None
Kuo, Ko-chung			✓	✓		✓	✓	✓	✓	✓	✓		✓	✓			None
Lee, Dow-ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Lu, Chi-chant		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ou, Yu-lun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Remarks: All directors and supervisors who meet the following conditions two years before the election and during their tenure, please mark "✓" in below box of each item.

- (1) Not an employee of the company or its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, a supervisor or an employee of corporate shareholders who directly hold more than 5% of the total outstanding shares of the company, hold the top five shares, or appoint a representative as the company's directors or supervisors in accordance with Article 27 (1 or 2) of the Company Law. (However, if independent directors are appointed for the company and its parent company, subsidiary, or a subsidiary of the same parent company established in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (6) Not a director, a supervisor or an officer, or a shareholder holding 5% or more than the shares, of a specified company or institution which have more than half of director seats or voting shares and are controlled by the same person. (However, if independent directors are appointed for the company and its parent company, subsidiary, or a subsidiary of the same parent company established in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (7) Not a director, a supervisor or an employee of other companies or institutions owned by the chairman, the president, the people in the equivalent positions or spouses. (However, if independent directors are appointed for the company and its parent company, subsidiary, or a subsidiary of the same parent company established in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (8) Not a director, a supervisor, a manager, or a shareholder holding more than 5% of specific companies or organizations that have financial or business transactions with the company. Are not in financial or business dealings with the company. (However, independent directors of a specific company or institution holds more than 20% of the company's total issued shares, but not more than 50%, and the company and its parent company, subsidiary, or subsidiary of the same parent company set up independent in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (9) Not an owners, a partners, a director, a supervisor, a manager or their spouses of professional, sole proprietorship company, joint venture or organizations which provide audit service for the companies or affiliated companies or who have received the cumulative amount of remuneration does not exceed NT\$500,000 in the past two years. However, this does not apply to members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee who exercises power pursuant in accordance with the Securities Exchange Act or the relevant laws and regulations of the Corporate Mergers and Acquisitions Act.
- (10) Does not have a spouse or second degree of kinship to any other directors of the company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or their representatives as defined in Article 27 of the Company Law.



2.2 Information of President, Vice President, Senior Managers and Department and Branch Managers

April 25, 2021

Title	Nationality	Name	Gender	Appointment (Assumption) Date	Shareholding		Spouses' and Minor Children's Shareholding		Shareholding by Nominee Arrangement		Main Experience (Education)	Current Adjunct Position in the Company or Other Companies	Other Managers Who have Spouses or within Two Degrees of Kinship			Remarks
					Number	Ratio	Number	Ratio	Number	Ratio			Title	Name	Relation	
President (remarks)	Republic of China	Kuo, Shao-yi	Male	2001.06.13	13,673,114	1.43%	5,483,330	0.57%	76,336,784	7.97%	National Taiwan University EMBA, College of Management, International Business	Lealea President Lipeng Enterprise Chairman/President Lealea Technology, Liling Technology, Apex Fong Yi Technology Lea Jie Energy, Tung Ting Investment, Eton Petrochemical, Libolon Energy, PT. INDONESIA LIBOLON FIBER SYSTEM Chairman	None	None	None	
Vice President		Jan, Ming-lang	Male	1996.03.01	292,344	0.03%	0	0	0	0	Taipei Institute of Technology Department of Mechanic Engineering	PT. INDONESIA LIBOLON FIBER SYSTEM Director, Lealea Technology Supervisor	None	None	None	
Vice President		Chen, Han-ching	Male	2012.09.01	23,574	0	110	0	0	0	Nanya Industrial College Department of Fiber and Industry	Lea Jie Energy Representative Director, PT. INDONESIA LIBOLON FIBER SYSTEM Director, Li Ling Film and Li Shing Investment Supervisor	None	None	None	
Vice President		Chang, Wen-hsien	Male	2013.09.01	236,661	0.02%	0	0	0	0	Chung Yuan Christian University Department of Chemical Engineering	None	None	None	None	
Senior Manager	Republic of China	Tsai, Chun-chung	Male	2010.09.01	74,021	0.01%	0	0	0	0	Feng Chia University Department of Electrical Engineering	None	None	None	None	
Senior Manager		Tseng, Jui-shan	Male	2018.03.01	0	0	0	0	0	0	National Taiwan College of Science and Technology Department of Mechanical Engineering	None	None	None	None	
Senior Manager		Wang Tso-jen	Male	2019.09.01	8,158	0	0	0	0	0	Chinese Culture University Graduate School of Textile Engineering	None	None	None	None	

Title	Nationality	Name	Gender	Appointment (Assumption) Date	Shareholding		Spouses' and Minor Children's Shareholding		Shareholding by Nominee Arrangement		Main Experience (Education)	Current Adjunct Position in the Company or Other Companies	Other Managers Who have Spouses or within Two Degrees of Kinship			Remarks
					Number	Ratio	Number	Ratio	Number	Ratio			Title	Name	Relation	
Senior Manager	Republic of China	Hsu, Tsui-ping	Female	2019.09.01	102,825	0.01%	0	0	0	0	Chinese Culture University Department of Business Management	None	None	None	None	
Senior Manager		Shih, Chi-yu	Male	2021.03.01	0	0	0	0	0	0	Chinese Culture University Department of Economics	None	None	None	None	
Senior Manager		Hu, Yung-kang	Male	2021.03.01	0	0	0	0	0	0	Szechai Institute of Technology Department of Mechanic Engineering	None	None	None	None	
General Plant Manager		Hsu, Mao-chi	Male	2016.05.01	69,120	0.01%	0	0	0	0	Feng Chia University Department of Textile	None	None	None	None	
General Plant Manager		Chen, Wei-Cheng	Male	2019.09.01	60,005	0.01%	28,378	0	0	0	National Taiwan University of Technology Graduate School of Fiber and Polymer	None	None	None	None	
Accounting Manager		Hsu, Li-hsueh	Female	2011.08.01	893	0	808	0	0	0	National Taipei College of Business Department of Business	None	None	None	None	
Finance Manager		Ko, Pei-chun	Female	2018.11.01	0	0	0	0	0	0	National Chung Shing University Department of Economics	None	None	None	None	

Remarks : The chairman and president are the same person as there was no other suitable candidate which was a rational decision as the chairman possessed complete experience who started his career from entry level job, and a necessary decision that the chairman could make quick decision and fully demonstrate flexibility and efficiency on operation. This resolution would be deployed in 2023 according to law.

### 3. Remuneration for Directors, Supervisors, President and Vice President in The Most Recent Year

#### 3.1 Remuneration for Common Directors and Independent Directors

Unit: In Thousands of New Taiwan Dollars

Title	Name	Director's Remuneration								After Tax Net Profit Ratio for Total of Item A, B C and D (remarks 7)		Relevant Remuneration Received by Directors who are Also Employees								After Tax Net Profit Ratio for Total of Item A, B, C, D, E, F and G (remarks 7)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (remarks 8)
		Compensation (A) (remarks 1)		Pension (B)		Director's Remuneration © (remarks 2)		Expense for Professional Practice (D) (remarks 3)				Salary, and Special Expense © (remarks 4)		Pension (F)		Employee's Compensation (G) (remarks 5)						
		The Company	All the Companies Listed in Financial Report (remarks 6)	The Company	All the Companies Listed in Financial Report (remarks 6)	The Company	All the Companies Listed in Financial Report (remarks 6)	The Company	All the Companies Listed in Financial Report (remarks 6)	The Company	All the Companies Listed in Financial Report (remarks 6)	The Company	All the Companies Listed in Financial Report (remarks 6)	The Company	All the Companies Listed in Financial Report (remarks 6)	The Company		All the Companies Listed in Financial Report (remarks 6)		The Company	All the Companies Listed in Financial Report (remarks 6)	
Chairman	Kuo, Shao-yi	300	300	0	0	0	0	0	0	-0.08	-0.08	4,819.5	6,259.5	84	84	0	0	0	0	-1.46	-1.86	1,814.1
Director	Hung, Tsung-chi	300	300	0	0	0	0	0	0	-0.08	-0.08	802.8	802.8	16	16	0	0	0	0	-0.31	-0.31	None
Director	Li Peng Enterprise Representative: Kuo, Shu-chen	300	300	0	0	0	0	0	0	-0.08	-0.08	0	0	0	0	0	0	0	0	-0.08	-0.08	None
Director	Tung Ting - chin Investment Representative: Chen, Han-ching	300	300	0	0	0	0	0	0	-0.08	-0.08	2,921.9	2,921.9	26.4	26.4	0	0	0	0	-0.91	-0.91	None
Director	Li Zan Investment Representative: Kuo, Chi-an	300	300	0	0	0	0	0	0	-0.08	-0.08	0	0	0	0	0	0	0	0	-0.08	-0.08	None
Director	Shun Yu Investment Representative: Kuo, Ko-chung	300	300	0	0	0	0	0	0	-0.08	-0.08	0	0	0	0	0	0	0	0	-0.08	-0.08	None
Independent Director	Lee, Dow-ming	465	465	0	0	0	0	0	0	-0.13	-0.13	0	0	0	0	0	0	0	0	-0.13	-0.13	None
Independent Director	Lu, Chi-chang	465	465	0	0	0	0	0	0	-0.13	-0.13	0	0	0	0	0	0	0	0	-0.13	-0.13	None
Independent Director	Ou, Yu-lun	465	465	0	0	0	0	0	0	-0.13	-0.13	0	0	0	0	0	0	0	0	-0.13	-0.13	None

1. Please state the policy, system, standard and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors: a fixed amount of remuneration is paid every month regardless of profit or loss.

2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: none.

Remarks 1: Refers to the compensation of directors in the most recent year (including directors' salaries, job allowances, pensions, various bonuses, incentives, etc.)

Remarks 2: Refers to the amount of directors' remunerations approved by the board of directors in the most recent year.

Remarks 3: Refers to directors' expenses for relevant professional service execution expenses for the most recent year (including traveling expenses, special expenses, various allowances, dormitories, company car and other physical object offering, etc.) When providing housing, cars and other transportation vehicles or personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, which will not be included in the remuneration.

Remarks 4: Refers to the recent years that directors and adjunct employees (including adjunct president, vice presidents, other managers and employees) received, including salary, job allowance, pension, various bonuses, incentives, traveling expenses fees, special expenses, various allowances, dormitories, company cars, other physical object offering, other transportation vehicles or personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. Besides, salary recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, new shares of restricting employee rights, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Remarks 5: Refers to those who have received employee remuneration (including stocks and cash) for directors also as adjunct employees (including concurrently serving as president, vice president, other managers and employees) in the most recent year, the amount of employee remuneration distributed by the board of directors in the most recent year shall be disclosed. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year.

Remarks 6: The total amount of remuneration paid to the directors of the company by all companies (including the company) in the consolidated report shall be disclosed.

Remarks 7: Refers to the after tax net profit of individual financial statement of the most recent year.

Remarks 8: a. This column should clearly indicate the amount of relevant remuneration received by the directors of the company from the subsidiary company or the company except the parent company. (If none, please fill in "None".)

b. The remuneration refers the salary, job allowances and professional service execution expenses received by the directors (including employees, directors and supervisors) of the company, non-affiliate reinvested companies or parent companies.

\* The content of the remuneration disclosed in this table is different from the concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

### 3.2 Supervisors' Remuneration

Audit Committee is established and works as supervisors.

### 3.3 President and Vice Presidents' Remuneration

Unit: In Thousands of New Taiwan Dollars

Title	Name	Salary (A) (remarks 1)		Pension (B)		Bonus and Special Expense © (remarks 2)		Employee's Remuneration (D) (remarks 3)				After Tax Net Profit Ratio for Total of Item A, B, C and D (%) (remarks 5)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (remarks 6)
		The Company	All the Companies Listed in Fianancial Report (remarks 4)	The Company	All the Companies Listed in Fianancial Report (remarks 4)	The Company	All the Companies Listed in Fianancial Report (remarks 4)	The Company		All the Companies Listed in Fianancial Report (remarks 4)		The Company	All the Companies Listed in Fianancial Report (remarks 4)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Kuo, Shao-yi	4,200	4,200	84	84	619.5	619.5	0	0	0	0	-1.37	-1.37	1,814.1
Vice President	Jan, Ming-lang	1,800	1,800	36	36	1,559.6	1,559.6	0	0	0	0	-0.95	-0.95	1,418.9
Vice President	Chen, Han-ching	1,320	1,320	26.4	26.4	1,601.9	1,601.9	0	0	0	0	-0.82	-0.82	None
Vice President	Chang, Wen-hsien	1,440	1,440	28.8	28.8	1,703.4	1,703.4	0	0	0	0	-0.89	-0.89	None

Remarks: One driver, with an annual remuneration of NTS\$691 thousand. In addition, 4 vehicles are provided with the annual rent of NTS\$1,856 thousand.

Remarks 1 : Refers to the compensation of president and vice presidents in the most recent year (including directors' salaries, job allowances, pensions.)

Remarks 2 : Refers to the recent years that the president and the vice presidents received, including salary, job allowance, pension, various bonuses, incentives, traveling expenses fees, special expenses, various allowances, dormitories, company cars, other physical object offering, other transportation vehicles or personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. Besides, salary recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, new shares of restricting employee rights, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Remarks 3 : Refers to those who have received employee remuneration (including stocks and cash) for the president and the vice presidents in the most recent year, the amount of employee remuneration distributed by the Board of Directors in the most recent year shall be disclosed. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year.

Remarks 4 : The total amount of remuneration paid to the president and vice presidents of the company by all companies (including the company) in the consolidated report shall be disclosed.

Remarks 5 : After tax net profit refers to the after tax net profit of individual fianancial statement of the most recent year.

Remarks 6 : a. This column should clearly indicate the amount of relevant remuneration received by the president and the vice presidents of the company from the subsidiary company or the company except the parent company. (If none, please fill in "None".)

b. The remuneration refers the salary, job allowances and professional service execution expenses received by the president and the vice presidents (including employees, directors and supervisors) of the company, non-affiliate reinvested companies or parent companies.

\* The content of the remuneration disclosed in this table is different from the concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.



### 3.4 Remuneration of Top Five Remunerated Executives of OTC Listed Company

Unit: In Thousands of New Taiwan Dollars

Title	Name	Salary (A) (remarks 2)		Pension (B)		Bonus and Special Expense © (remarks 3)		Employee's Remuneration (D) (remarks 4)				After Tax Net Profit Ratio for Total of Item A, B, C and D (%) (remarks 6)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (remarks 7)
		The Company	All the Companies Listed in Financial Report (remarks 5)	The Company	All the Companies Listed in Financial Report (remarks 5)	The Company	All the Companies Listed in Financial Report (remarks 5)	The Company		All the Companies Listed in Financial Report (remarks 5)		The Company	All the Companies Listed in Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Kuo, Shao-yi	4,200	4,200	84	84	619.5	619.5	0	0	0	0	-1.37	-1.37	1,814.1
Vice President	Jan, Ming-lang	1,800	1,800	36	36	1,559.6	1,559.6	0	0	0	0	-0.95	-0.95	1,418.9
Vice President	Chang, Wen-hsien	1,440	1,440	28.8	28.8	1,703.4	1,703.4	0	0	0	0	-0.89	-0.89	None
Vice President	Chen, Han-ching	1,320	1,320	26.4	26.4	1,601.9	1,601.9	0	0	0	0	-0.82	-0.82	None
Senior Manager	Tsai, Chun-chung	1,203.6	1,203.6	24.1	24.1	1,108.7	1,108.7	0	0	0	0	-0.65	-0.65	None

Remarks: One driver, with an annual remuneration of NT\$691 thousand. In addition, 4 vehicles are provided with the annual rent of NT\$1,856 thousand.

Remarks 1: Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 0920001301 dated March 27, 2003. The letter stipulates the scope of application of the "manager". As for the "top five highest remuneration" calculation and determination principle, it is based on the sum of the salary, pension, bonus and special expenses received from all companies in the consolidated financial report by the company manager, as well as the total amount of the employee's remuneration (that is the total amount of A +B+C+D), and the five highest remunerations will be recognized after sorting.

Remarks 2: Refers to the compensation of the top five executives in the most recent year (including directors' salaries, job allowances, pensions.)

Remarks 3: Refers to the remuneration that the top five executives received in recent years, including salary, job allowance, pension, various bonuses, incentives, traveling expenses fees, special expenses, various allowances, dormitories, company cars, other physical object offering, other transportation vehicles or personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. Besides, salary recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, new shares of restricting employee rights, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Remarks 4: Refers to those who have received employee remuneration (including stocks and cash) for the top five in the most recent year, the amount of employee remuneration distributed by the board of directors in the most recent year shall be disclosed. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year.

Remarks 5: The total amount of remuneration paid to the top five executives of the company by all companies (including the company) in the consolidated report shall be disclosed.

Remarks 6: After tax net profit refers to the after tax net profit of individual financial statement of the most recent year.

Remarks 7: a. This column should clearly indicate the amount of relevant remuneration received by top five executives of the company from the subsidiary company or the company except the parent company. (If none, please fill in "None".)

b. The remuneration refers the salary, job allowances and professional service execution expenses received by the top five executives (including employees, directors and supervisors) of the company, non-affiliate reinvested companies or parent companies.

\* The content of the remuneration disclosed in this table is different from the concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

3.5 Name and Distribution Status of the Managers who Distribute Employee's Remuneration

March 31, 2021

Unit: In Thousands of New Taiwan Dollars

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount vs. After Tax Net Profit (%)
Management Team	President	Kuo, Shao-yi	0	0	0	0
	Vice President	Jan, Ming-lang				
	Vice President	Chen, Han-ching				
	Vice President	Chang, Wen-hsien				
	Senior Manager	Tsai, Chun-chung				
	Senior Manager	Tseng, Jui-shan				
	Senior Manager	Wang, Tso-jen				
	Senior Manager	Hsu, Tsui-ping				
	Senior Manager	Shih, Chi-yu				
	Senior Manager	Hu, Yung-kang				
	General Plant Manager	Hsu, Mao-chi				
	General Plant Manager	Chen, Wei-cheng				
	Accounting Manager	Hsu, Li-hsueh				
	Finance Manager	Ko, Pei-chun				

Remarks: Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 0920001301 dated March 27, 2003. The letter stipulates the scope of application of the "manager":

- (1) President and equivalent position
- (2) Vice president and equivalent position
- (3) Senior Manager and equivalent position
- (4) Finance Manager and equivalent position
- (5) Accounting Manager and equivalent position
- (6) Others who are authorized to sign on behalf of the company for business management

**3.6 Analysis of the proportion of the total remuneration paid by the company and all companies in the consolidated financial statements to the company’s directors, supervisors, presidents and vice presidents and deputy general managers vs. the net profit after individual financial reports in the most recent two years, explanation of the policies, standards and combinations of remuneration payments , the procedures for determining remuneration and the correlation with business performance and future risks**

1. Analysis of Proportion:

2019		2020	
Retio of remuneration paid to directors, supervisors, president and vice presidents vs. after tax net profit (%)		Retio of remuneration paid to directors, supervisors, president and vice presidents vs. after tax net profit (%)	
The Company	All Companies in Financial Report	The Company	All Companies in Financial Report
39.90%	43.42%	-4.27%	-4.75%

2. The Policies, Standards, Combinations and Procedures of Remuneration Payments:

The Articles of Incorporation clearly stipulates that if there is a profit in the year, at least 2% should be allocated for employee remuneration, and no more than 5% for directors’ remuneration. However, when there are accumulated losses, the amount to cover then loss shall be reserved in advance, and then the remuneration of employees and directors and supervisors shall be allocated in accordance with the aforementioned proportion. In addition to receiving fixed compensation, directors and independent directors may also receive directors’ remuneration. Manager’s remuneration includes salary and annual bonus, among which salary is handled in accordance with “Organization System, Rank and Title Classification “ and “Salary Policies”. Annual bonuses (year-end and surplus bonuses) are reasonably given based on financial indicators (such as the industry’s earnings per share) and non-financial indicators (such as appraisal, ranking, merit and demerit).

3. Procedure of Remuneration Payment:

The rate and amount of the remuneration distribution shall be assessed by the Compensation Committee with advice of distribution principles, concluded by the Board of Directors and after a resolution of the Board of Directors and reported to the Shareholders’ Meeting.

4. The Correlation between Company Operation Performance and Future Risks:

The remuneration of managers has fully taken into account their professional capabilities and the company’s operations and financial status, and personnel below the vice president (including) participate in the semi-annual performance appraisal. Important decisions of the company’s management are made after considering cautiously assessing various risks. The performance of these important decisions will be reflected in the company’s profits, which will then affect the remuneration of the company’s directors and managers.

#### 4. Company Governance Status

##### 4.1 Board of Directors

9 Meetings of the Board of Directors were held in 2020, and The Attendance Was as Follows:

Title	Name	Actual Attendance	By Proxy	Attendance Rate (%)	Remarks
Chairman	Kuo, Shao-yi	9	0	100%	
Director	Li Peng Enterprise Representative: Kuo, Shu-chen	9	0	100%	
Director	Tung Ting Investment Representative: Chen, Han-ching	9	0	100%	
Director	Hung, Tsung-chi	1	0	11.11%	Based in Indonesia
Director	Li Zan Investment Representative: Kuo, Chi-an	9	0	100%	
Director	Shun Yu Investment Representative: Kuo, Ko-chung	9	0	100%	
Independent Director	Lee, Dow-ming	9	0	100%	
Independent Director	Lu, Chi-chant	9	0	100%	
Independent Director	Ou, Yu-lun	9	0	100%	

Other important items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act

Date	17 <sup>th</sup> Board of Directors	Summary of Discussion	Opinion of Independent Directors	Resolution to the Opinion of Independent Directors
2020.02.04	6 <sup>th</sup> Meeting	1. Subsidiary company adjusts capital loan quota to others 2. The case of adjusting the limit of the loan to the subsidiary companies	Approve	None
2020.03.27	7 <sup>th</sup> Meeting	1. 2019 Financial Statement 2. Remuneration of employees and directors 3. 2019 Surplus Distribution 4. 2019 Internal Control System Declaration 5. Partial amendments of the Article of Incorporation 6. Partial amendments of the rules of procedure for the Board of Directors 7. Partial amendment of "Repurchased Stock Transferred to Employee" 8. Preparation for 2020 Regular Shareholders' Meeting 9. Capital lending to the subsidiary companies 10. The case of adjusting the limit of the loan to the subsidiary companies	Approve	None
2020.04.30	8 <sup>th</sup> Meeting	1. 2019 Business Report 2. Capital lending to the subsidiary companies 3. The subsidiary companies loan capital to the other companies	Approve	None
2020.05.29	9 <sup>th</sup> Meeting	1. Involvement of with subsidiary companies's capital increasing case 2. Adjustment of capital loan criteria	Approve	None
2020.06.29	10 <sup>th</sup> Meeting	Adjustment of capital loan to subsidiary companies	Approve	None



Date	17 <sup>th</sup> Board of Directors	Summary of Discussion	Opinion of Independent Directors	Resolution to the Opinion of Independent Directors
2020.07.29	11 <sup>th</sup> Meeting	The subsidiary companies loan capital to the other companies	Approve	None
2020.10.28	12 <sup>th</sup> Meeting	1. Adjustment of directors' compensation 2. Establishment of practices of Corporation Governance 3. Establishment of Corporate Business Conduct Guidelines 4. Establishment of performance measurement policies of Board of Directors	Approve	None
2020.11.10	13 <sup>th</sup> Meeting	1. Borrowing from subsidiary companies 2. The subsidiary companies loan capital to the other companies	Approve	None
2020.12.28	14 <sup>th</sup> Meeting	1. 2021 audit plan 2. 2021 company operation plan 3. The subsidiary companies loan capital to the other companies	Approve	None

(2) In addition to the previous issues, other board meeting resolutions that have been opposed or reserved by independent directors and should have records or written statements: None

- The implementation of the directors' avoidance of the interested proposal shall state the name of the director, the content of the proposal, the reason for the avoidance of interest and the status of participation in voting: None
- The OTC listed company shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the Board of Directors self evaluation (or peer review):

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	2020.01.01 ┆ 2020.12.31	Board of Directors	Self assessment on performance by Board of Directors	1. The involvement status on company operation 2. Improve quality of decision made by Board of Directors 3. Composition and structure of Board of Directors 4. Election of directors and continuous education 5. Internal control
		Directors	Self assessment on performance by directors	1. Management Corporate's goal and mission 2. Recognition to the responsibilities of directors 3. The involvement status on company operation 4. Internal relationship management & communication 5. Directors' professional and continuous education 6. Internal control
		Functional committee (audit/compensation)	Self assessment on performance by functional committee	1. The involvement status on company operation 2. Recognition to the responsibilities of functional committee 3. Improve quality of decision made by functional committee 4. Composition and election of functional committee 5. Internal control

4. The goal of improving the function of Board of Directors in current year and the most recent year (such as composing the audit committee, improving information transparency, etc.) and assessment of deployment:

- Announce every important resolution of the Board of directors on the company's website, and insure directors with liability insurance to improve the transparency of the company's operation information and protect the rights and interests of shareholders. An audit committee has been set up to support the Board of Directors in fulfilling the supervisory duties. °
- In order to implement Corporate Governance and enhance the functions of the Board of Directors, and establish performance targets to enhance the operational efficiency of the Board of Directors, the company proceeds internal performance assessment on Board of Directors and functional committee in accordance with the "Board Performance Evaluation Measures" approved by the board of directors on October 28, 2020.

**4.2 Audit Committee**

7 Meetings (A) of Audit Committee were in 2020, and The Attendance Was as Follows:

Title	Name	Actual Attendance (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Lee, Dow-ming	7	0	100%	
Independent Director	Lu, Chi-chant	7	0	100%	
Independent Director	Ou, Yu-lun	7	0	100%	

**Other Special Items:**

1. "Audit Committee" was set up on June 8, 2016 to perform supervisors' duties and the annual work focus is listed as follows:
  - (1) Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act
  - (2) Evaluation of the effectiveness of the internal control system
  - (3) In accordance with the Article 36 of the Securities and Exchange Law, it stipulates or amends the procedures for the acquisition or disposal of assets, derivative commodity transactions, capital loans to others, endorsements or guarantees for others.
  - (4) Matters involving the director's own interests
  - (5) Important asset or derivative commodity transaction
  - (6) Important capital loan, endorsements or guarantees for others
  - (7) Raising, issuing or private placement of equity securities
  - (8) Appointment, dismissal or remuneration of certified public accountants
  - (9) Appointment and dismissal of financial, accounting or internal audit officers
  - (10) Annual financial report signed or stamped by the chairman, managers and accounting manager, and the second quarter financial report verified by accountants
  - (11) Other major matters defined by the company or the competent authority

⊙ Audit Financial Report

The company's 2020 financial statement prepared by the Board of Directors, Deloitte Taiwan Certified Public Accountants, Chiu, Ming-Yu and Wu, Ke-Chang, completed the inspection and issued an inspection report, together with the Business Report and loss allocation, and were reviewed by the Audit Committee. Audit Committee verified that the reports existed were no discrepancies.

⊙ Inspection of Efficiency of Internal Control

2020 self assessments of internal control (hereafter referred to as internal control self-assessment) have been completed, and a draft statement of the internal control system was issued according to the results of the internal control self-assessment, and it was submitted by audit unit it to the board of directors for approval.

2. If the operation of the audit committee is in one of the following circumstances, the date, period, resolution of the proposal, the resolution of the Audit Committee, and the company's action of the audit committee's opinions shall be stated.

(1) Matters listed in Article 14-5 of the Securities Exchange Act:

Date	17 <sup>th</sup> Board of Directors	Summary of Motions	Opinion of Audit Committee	Resolution to Opinion of Audit Committee
2020.02.04	6 <sup>th</sup> Meeting	1. Subsidiary company adjusts capital loan quota to others 2. The case of adjusting the limit of the loan to the subsidiary companies	Approve	None
2020.03.27	7 <sup>th</sup> Meeting	1. 2019 Financial Statement 2. 2019 Surplus Distribution 3. 2019 Internal Control System Declaration 4. Partial amendments of the Article of Incorporation 5. Partial amendments of the rules of procedure for the Board of Directors 6. Capital lending to the subsidiary companies 7. The case of adjusting the limit of the loan to the subsidiary companies	Approve	None
2020.04.30	8 <sup>th</sup> Meeting	1. 2019 Business Report 2. Capital lending to the subsidiary companies 3. The case the subsidiary companies loan capital to the other companies	Approve	None

Date	17 <sup>th</sup> Board of Directors	Summary of Motions	Opinion of Audit Committee	Resolution to Opinion of Audit Committee
2020.05.29	9 <sup>th</sup> Meeting	1. Involvement of with subsidiary companies's capital increasing case 2. Adjustment of capital loan criteria	Approve	None
2020.06.29	10 <sup>th</sup> Meeting	Adjustment of subsidiary companies capital loan condition	Approve	None
2020.07.29	11 <sup>th</sup> Meeting	The case the subsidiary companies loan capital to the other companies	Approve	None
2020.11.10	13 <sup>th</sup> Meeting	1. Borrowing from subsidiary companies 2. The case the subsidiary companies loan capital to the other companies	Approve	None
2020.12.28	14 <sup>th</sup> Meeting	1. 2021 audit plan 2. 2021 company operation plan 3. The case the subsidiary companies loan capital to the other companies	Approve	None

(2) Except for the previous matters, other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: None

3. The implementation of the independent directors' avoidance of the interested proposal shall state the name of the independent directors, the content of the proposal, the reason for the avoidance of interest and the status of participation in voting:

Date	The Directors of Interest Avoidance	Motion	The Reason for the Avoidance of Interest	Status of Participation in Voting
2020.10.28	Lee, Dow-ming Lu, Chi-chant Ou, Yu-lun	Adjustment of directors' remuneration	The chairman proposed an amendment to adjust the salary and remuneration of independent directors and voted according to the amendment	Except for the three independent directors who avoided interest, all the directors present approved in accordance with the amendment

4. The communication with independent directors, internal Audit Manager and CPAS (it should cover resolutions and results for important matters, such as company financial and business status):

Mail communication, written or telephony communication in accordance of COVID-19.

Date	The Communication with Audit Manager, and CPAS	Advice from Independent Directors	Resolution
2020.03.30	With CPAS: (1) Inspection of important and non-important individuals (2) Important inspection adjustments-there is no important adjustment entries for this year (3) Critical inspection items-authenticity of sales revenue (4) Inspection summary-the accountants believed that sufficient and appropriate inspection evidences has been obtained as a basis for inspection opinions. An unqualified opinion is issued as a result of the inspection With Audit Manger: (1) Reporting tracking improvement proress in 2019 (2) Reporting 2020 first quarter inspection (3) Reporting the effectiveness of internal control	No Comment	Not Applicable
2021.01.20	With CPAS: (planning stage of 2020 annual inspection) (1) Management team's responsibilities-responsibilities of Board of Directors/Audit Committee and improving ability of financial statement preparation (2) Scope and method of inspection-The inspection is proceeded in accordance with the accountants' financial statement verification rules versus generally accepted auditing standards, so as to reasonably be sure whether the financial statements contain material false statements. (3) Important amount	No Comment	No Applicable

Date	The Communication with Audit Manager, and CPAS	Advice from Independent Directors	Resolution
	(4) Group inspection-Checking work by individuals and the use of individual checkers (5) Important accounting strategies, important accounting assessments or transactions (6) Critical inspection items-transactions with customers with positive growth do occur (7) Impacts and resolutions of COVID-19 (8) Considerations of compliance to regulations (9) Other communication items With Audit Manager: (1) Reporting tracking improvement proress in 2020 (2) Reporting the plan and deployment status of internal control in 2020 (3) Reporting 2021 first quarter inspection		
2021.03.31	With CPAS: (completing stage of 2020 annual inspection) (1) Management team’s responsibilities (2) Scope and method of inspection (3) Important amount-no needs for correction (4) Group inspection (5) Important accounting strategies, important accounting assessments, important incidents or transactions (6) Critical inspection items-no major abnormal issue was found, which was still reasonable With Audit Manager: Reporting 2021 second quarter inspection	No Comment	Not Applicable

**4.3 The Deviations and Root Causes Between Company Governance Status and the Practice on Corporate Governance for OTC Listed Companies**

Assessment Item	Operation Summary			Deviations and Root Causes with the Practice on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
1. Has the company formulated and disclosed the Code of Practice for Corporate Governance in accordance with the "Code of Practice for Corporate Governance for OTC Listed Companies"?	✓		The "Code of Practice for Corporate Governance" has been formulated and disclosed on the company and public information observatory website.	No Deviation
2. Company shareholding structure and shareholders' equity (1) Has the company established internal procedures to handle shareholder suggestions, doubts, disputes and litigation, and implement them in accordance with the procedures? (2) Does the company have a list of the major shareholders who actually control the company and the ultimate controller of the major shareholders? (3) Does the company establish and implement risk control and firewall between affiliate companies?	✓		(1) Set up spokespersons and acting spokespersons as a channel for external communication, and instruct the Stock Affairs and Legal Departments to handle shareholder suggestions, doubts, disputes, and litigation issues (2) The Stock Affairs department and the appointed stock affairs agency keep the list updated at any time and declare in accordance with regulations. (3) Conveyed in the internal control system	No Deviation

Assessment Item	Operation Summary			Deviations and Root Causes with the Practice on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
(4) Does the company internal regulations to prohibit insiders from using undisclosed information on the market to buy and sell securities?			(4) The "Rules for Preventing Insider Trading" has been set	
<p>3. The composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors formulates and implements a diversity policy regarding the composition of members?</p> <p>(2) In addition to the Compensation Committee and Audit Committee established in accordance with the law, does the company voluntarily set up other various functional committees?</p> <p>(3) Does the company formulate board performance evaluation methods, conduct annual and regular performance evaluations, and report the performance evaluation result to the Board of Directors, and take the result as a reference for the compensation and nomination of individual directors?</p> <p>(4) Does the company regularly assess the independence of certified accountants?</p>		✓	<p>(1) In addition to formulating the "Code of Practic of Corporate Governance", the election of directors (including independent directors) is specified in the "Articles of Incorporation" to adopt nomination system. When selecting candidates for directors, not only the professional background of the directors themselves is considered, but diversity is also one of the important factors. There are currently 9 directors, including 3 independent directors. Among the board members, there is also 1 female director, 3 directors with employee status, 3 independent directors with tenures of more than 4 years, 1 director is over 70 years old, and 6 directors are between 50 and 69 years old. Years old, 2 directors are under 40 years old. Directors' majors cover management, law, accounting, public health, etc., and are industry entrepreneurs, practicing lawyers, former certified public accountants from internationally renowned firms, and double masters from Yale University. They all have the necessary experience in business, finance or corporate sales. Their professional advices from different angles help the company operation significantly.</p> <p>(2) None</p> <p>(3) Formulate "Board Performance Evaluation Method". The Compensation Committee will set and review director performance evaluation and compensation policies, systems, standards and structures, and submit recommendations to the Board of Directors for discussion.</p> <p>(4) Evaluate the independence and competence of the certified accountants at least once a year, assure that there is no interest, relatives, etc., obtain a declaration of independence from the certified accountant firm and submit the declaration to the Board</p>	According to actual needs or cooperate with laws and regulations

Assessment Item	Operation Summary			Deviations and Root Causes with the Practice on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
			of Directors. The 2021 agency for Certificate of Business/Income and Finance was approved by the Board of Directors on January 27, 2021	
4. Has the OTC listed company appointed a suitable and appropriate number of corporate governance personnel, and designated a corporate governance director to be responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to perform their business, assisting directors and supervisors in complying with regulations, supporting matters related to meetings of the Board of Directors and shareholders meeting in accordance with the law, making minutes of the Board of Directors and shareholders meeting, etc.)?		✓	The Stock Affairs Department provides the directors with the necessary information to perform their business and assists in complying with regulations, and supporting matters related to the meetings of the board of directors and the shareholders meeting in accordance with the law	According to actual needs or cooperate with regulations
5. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and vendors), and set up a special section for stakeholders on the company's website, and appropriately respond to important corporate social responsibility issues that stakeholders are concerned about?	✓		The website sets up a "Stakeholders' Section" to disclose contact information, bridge the issues of different stakeholders to relevant departments and participate in communication, and respond appropriately	No Deviation
6. Does the company appoint a professional stock affairs agency to handle the affairs of the shareholders' meeting?	✓		Appoint the "Taishin International Commercial Bank Co., Ltd. Stock Affairs Agency Department" to handle affairs of the shareholders' meeting	No Deviation
7. Information Disclosure (1) Does the company set up a website to disclose financial, business and corporate governance information?  (2) Does the company adopt other methods of information disclosure (such as setting up an English website, delegating a specific person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, placing the company website in the process of legal person briefings, etc.)?  (3) Does the company announce and report the annual financial report within two months after fiscal year end, and		✓	(1) A website has been set up to continuously update the financial, business and corporate governance information, and related information can also be inquired from the "Open Information Observatory" website  (2) A person is delegated for information collection and disclosure, implementation of the spokesperson system, and the content of legal person briefing sessions is disclosed on the website for investors to inquire  (3) The financial reports for the first, second, and third quarters and the operation status of each month will be announced and filed	There are a large number of merged individual companies, and the financial report has not yet been announced and filed in advance

Assessment Item	Operation Summary			Deviations and Root Causes with the Practice on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
announce the financial reports for the first, second and third quarters and the operation status of each month before the prescribed deadline?			within the prescribed time limit	
8. Does the company have other important information that helps to understand the corporate governance operation (including but not limited to employee benefit, employee care, investor relations, vendor relations, the rights of stakeholders, education status of directors and supervisors, implementation status and measurement of and risk management, implementation status of customer relationship management policies and status of companies insures liability insurance for directors and supervisors, etc.)?	✓		<ol style="list-style-type: none"> <li>1. Focus on the harmonious labor-management relationship, and continue to improve employee welfare, work environment safety and quality, as well as employee meals, travel, health check, bonus, weddings and funerals, and education subsidies... etc. In addition, employees are covered by group insurance to have a more complete sense of security</li> <li>2. Communicate with investors through legal person briefing, meetings held by securities companies, and feedback opinions to the company's senior management and related units for reference for improvement and adjustment. In addition, a "Corporate Governance" section is set up on the website to provide stakeholders with an understanding of various internal control systems and management practices</li> <li>3. For any procurement, environmental protection, energy saving, and quality are the priority considerations, but not only price is factor for consideration for procurement</li> <li>4. In addition to providing customers with high-quality products, it also actively promotes and implements the quality management, environmental protection, and factory safety and health management of the manufacturing process, and has been certified</li> <li>5. Insures directors, supervisors and important staff liability insurance, the maximum insured amount can reach USD 6 million</li> </ol>	No Deviation
<p>9. Please illiterate the improvement regarding the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the most recent year, and prioritize items haven't been reinforced with improvement action (those who are not included in the assessed companies do not need to fill in)</p> <p>(1) Improvement in 2020: the company has set up a Corporate Governance in company website for stakeholders' understanding of various norms and systems</p> <p>(2) Improvements with higher priority and actions for items which have not been improved: the principle is not to increase operation costs, according to actual needs and in accordance with relevant and regulations.</p>				



**4.4 If the company has a Compensation Committee, it should disclose the composition, responsibilities and operation**

**1. Compensation Committee**

Title	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (remarks 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Compensation Committee Members	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Other Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lee, Dow-ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Lu, Chi-chant		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3		
Independent Director	Ou, Yu-lun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1		

Remarks: All members who meet the following conditions two years before the election and during their tenure, please mark “✓” in below box of each item.

- (1) Not an employees of the company or its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a directors, a supervisor or an employee of corporate shareholders who directly hold more than 5% of the total outstanding shares of the company, hold the top five shares, or appoint a representative as the company’s directors or supervisors in accordance with Article 27 (1 or 2) of the Company Law. (However, if independent directors are appointed for the company and its parent company, subsidiary, or a subsidiary of the same parent company established in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (6) Not a director, a supervisor or an officer, or a shareholder, of a specified company or institution which have more than half of director seats or voting shares and are controlled by the same person. (However, if independent directors are appointed for the company and its parent company, subsidiary, or a subsidiary of the same parent company established in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (7) Not a director, a supervisor or an employee of other companies or institutions owned by the chairman, the president, the people in the equivalent positions or spouses. (However, if independent directors are appointed for the company and its parent company, subsidiary, or a subsidiary of the same parent company established in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (8) Not a director, a supervisor, a manager, or a shareholder holding more than 5% of specific companies or organizations that have financial or business transactions with the company. are not in financial or business dealings with the company. (However, independent directors of a specific company or institution holds more than 20% of the company’s total issued shares, but not more than 50%, and the company and its parent company, subsidiary, or subsidiary of the same parent company set up independe in accordance with this law or local laws and regulations, this is not to subject to the limits.)
- (9) Not an owners, a partners, a director, a supervisor, a manager or their spouses of professional, sole proprietorship company, joint venture or organizations which provide audit service for the companies or affiliated companies or who have received the cumulative amount of remuneration does not exceed NT\$500,000 in the past two years. However, this does not apply to members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee who exercises power pursuant in accordance with the Securities Exchange Act or the relevant laws and regulations of the Corporate Mergers and Acquisitions Act..
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

2. Operation of Compensation Committee

(1) Three members of the Compensation Committee

(2) Tenure of the current committee: From June 12, 2019 to June 11, 2022, 2 Times (A) of Compensation Committee in 2020, and The Criteria of Committee Members and The Attendance Was as Follows:

Title	Name	Actual Attendance (B)	By Prosy	Attendance Rate (%) (B/A) (remarks)	Remarks
Chairman	Lee, Dow-ming	2	0	100	
Committee Memeber	Lu, Chi-chant	2	0	100	
Committee Member	Ou, Yu-lun	2	0	100	

Other mentionable items:

1. Scope of Authorities:

- (1) Defines and reviews the performance evaluation, policies of compensation, system, standard and structure of directors and managers
- (2) Assesses and set directors and managers' compensation

2. If the Board of Directors do not approve or adjust the Compensation Committee's recommendations, the dates of the meetings, sessions, contents of motion, opinions, resolutions of the Board of Directors and handling to Compensation Committee's recommendations should be specified: None

3. To Compensation Committee's concluded items, if committee members object or have reservation with records or written declarations, the dates of the Compensation Committee meetings, sessions, contents of motion, all committee members' opinions, and resolutions should be specified: None

Date	The 4 <sup>th</sup> Compensation Committee	Contents of Motion	Opinion of Compensation Committee	Resolution to Compensation Committee
2020.03.27	5 <sup>th</sup> meeting	Partial amendment of "Repurchased Stock Transferred to Employee"	Approve	None
2020.10.28	6 <sup>th</sup> meeting	Adjustment of directors' compensation	Approve	None

**4.5 The Deviations and Root Causes Between How Company Fulfill Corporate Social Responsibility and the Practice of Corporate Social Responsibility on Corporate Governance for OTC Listed Companies**

Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Fulfill Corporate Social Responsibility and the Practice of Corporate Social Responsibility on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
1. Does the company follow the materiality principle to conduct risk assessments on environmental, social and corporate governance issues related to company operation, and formulate relevant risk management policies or strategies?	✓		Quarterly business meetings, regularly discuss environmental, social and corporate governance issues related to company operation, and implement relevant management action.	No Deviation
2. Does the company set up a full-time (part-time) unit to promote corporate social responsibility, and the board of directors appoints the senior management to be on charge of related affairs and report the actions to the Board of Directors?		✓	None	According to actual needs or cooperate with laws and regulations
3. Environmental Issue (1) Does the company establish an appropriate environmental management system based on its industry features? (2) Does the company devote to improve the utilization efficiency of various resources and use recycled materials with low impact on the environment?	✓		(1) Establish and implement an appropriate environmental management system, and obtain ISO14001 certification (2) A. Set up a control system to automatically adjust the supply of public fluids on demand, reduce electricity consumption and reduce carbon. B. Recycle the used steam as heat energy to reduce the usage of heavy oil or coal C. Combining solar photovoltaic energy systems with factories to achieve the goal of carbon reduction, thereby reducing the global warming crisis. Combining solar photovoltaic systems with factories, achieving the goal of carbon reduction, thereby reducing the global warming crisis. D. Utilize waste water recycling, acid-base neutralization to reduce the usage of consumables E. Recycle PET bottles as raw materials to reduce the dependence on new raw materials, and the fibers made from them have also pass the certify for environmental label F. Produce colored oriented yarn, which is dye-free after weaving, replace the oriented yarn that	No Deviation

Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Fulfill Corporate Social Responsibility and the Practice of Corporate Social Responsibility on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
<p>(3) Does the company assess the potential risks and opportunities of climate change in the future, and take actions to climate related issues?</p> <p>(4) Does the company make statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and deploy policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?</p>			<p>needs dyeing process, and reduce dyeing and drain water. The low-temperature dyeable polyester fiber is dyed and finished at 95~98 degrees Celsius, which changes the traditional high-temperature dyeing and finishing process to saves energy.</p> <p>G. Actively recycle the waste fiber yarn for reproduction, obtain GRS (Global Recycle Standard) certification, and improve recycling of cartons, paper tubes, scrap materials, etc., to reduce resource waste</p> <p>(3) A. Participate the greenhouse gas voluntary reduction project promoted by the government (the Ministry of Economic Affairs, Industrial Development Bureau, Greenhouse Gas Voluntary Reduction Promotion Plan)</p> <p>B. Reduce the intensity of greenhouse gas emissions in order to achieve the reduction quota of EPA's project early stage</p> <p>C. Shoot for reduction performance to be included in the future emission measurement reference</p> <p>D. Introduce ISO14064, perform greenhouse gas inventory and declare to comply with regulations</p> <p>(4) Collect statistics on greenhouse gas emissions, water consumption, and total waste, and report in accordance with relevant regulations, and regularly review the quantities of mentioned items and reduction practices</p>	
<p>4. Social Issues</p> <p>(1) Does the company make relevant management rules and procedures in accordance with relevant laws and International Bill of Human Rights?</p>	✓		<p>(1) Establish the company's internal system in accordance with the Labor Standards Law, protect the legitimate rights and interests of employees, follow labor related regulations, and respect internationally recognized basic labor human rights. Related management policies and procedures guarantee the legal rights of employees, and there is no</p>	No Deviation

Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Fulfill Corporate Social Responsibility and the Practice of Corporate Social Responsibility on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
<p>(2) Does the company set up and implement reasonable employee welfare programs (including compensation, vacation and other benefits, etc.), and appropriately reflect operation performance or results in employee compensation?</p> <p>(3) Does the company provide employees with a safe and healthy working environment, and provide regular safety and health education to employees?</p>			<p>discrimination in employment policies; employees are not discriminated because of genders, races, marriage and religions, etc.; and no forced or compulsory labor, no violations of the rights of indigenous peoples, violations of the interests of employees, etc. have occurred.</p> <p>(2) There are working rules and related personnel management regulations, covering basic wages, working hours, vacations, bonuses, pension payments, labor and health insurance payments, occupational injury compensation, etc., in compliance with the relevant items of the Labor Standards Law. The Employee Welfare Committee operates through the committee members elected by the employees to handle various welfare matters; in addition, the employees are covered by group insurance to have a more complete sense of security. The Article of Incorporation stipulates that if there is a profit in the year, no less than 2% of the profit shall be allocated as employee compensation, and the operation results shall be shared with the employees.</p> <p>(3) Regular inspections of drinking water, fire control, noise, etc., annual personal health checks, protective equipment, hazard notifications, standard user manuals, and personal protective gears for dangerous machines, as well as preventive actions for occupational injuries through internal morning broadcasting and the 50th Movement. To re-inforce employees' preventive protection and awareness of disasters and accidents, safety and health education and training are rolled out, combined with drills, to enhance employees' disaster response capabilities, and to maintain a safe and healthy working environment. And obtained OHSAS18001 safety and health management certification.</p>	

Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Fulfill Corporate Social Responsibility and the Practice of Corporate Social Responsibility on Corporate Governance for OTC Listed Companies
	Yes	No	Explanation of Summary	
<p>(4) Does the company facilitate an effective career development training program for employees?</p> <p>(5) Regarding customer health and safety, privacy, marketing and labeling of products and services, does the company follow relevant regulations and international standards, and formulate relevant consumer protection policies and appeal procedures?</p> <p>(6) Does the company require vendors to comply with vendor management policies on issues such as environmental protection, occupational safety and health, or labor human rights, and vendors' implementation status?</p>			<p>In 2020, the internal training hours of environmental safety and health reached 360 hours. The external training for environmental safety and health certification has been held 12 times, and the total training expenditure was NT\$150,000.</p> <p>(4) In education and training, staff training is the biggest training activity of the year. Colleagues at the fourth level and above will be invited to participate in two days and one night outdoor training. The course content is planned in a series, consistent with the content of the previous year. It will also match the trend to let colleagues gain updated knowledge.</p> <p>(5) Obtained ISO9001 quality management and Oeko-Tex Standard 100 to ensure that the products do not endanger human health. The marketing and labeling of products and services are in compliance with relevant laws and international standards, and customer privacy maintenance complies to confidentiality agreements and personal data protection laws are complied with for customer privacy. There is a customer service unit and a special section for interested parties to protect consumer rights and provide complaint escalation channel.</p> <p>(6) Establish a green supply chain system and request vendors to provide proofs of compliance with legal requirements to improve the social responsibility of overall supply chain</p>	
<p>5. Does the company refer to the internationally accepted standards or guidelines to prepare corporate social responsibility reports and other reports that expose the company's non-financial information? Has the assurance of the third-party verification unit been obtained before report disclosure?</p>		✓	<p>Refer to the internationally accepted standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information, without the assurance of third-party verification units.</p>	<p>According to actual needs or cooperate with laws and regulations</p>

Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Fulfill Corporate Social Responsibility and the Practice of Corporate Social Responsibility on Corporate Governance for OTC Listed Companies						
	Yes	No	Explanation of Summary							
<p>6. If the company has its own corporate social responsibility code in accordance with the "Code of Practice for Corporate Social Responsibility of OTC Listed Companies", please state the deviation between the operation and the established code:</p> <p>The corporate social responsibility code has been formulated, the company has fulfilled its corporate social responsibility for more than 40 years, and will continue to implement the corporate social responsibility in the future.</p>										
<p>7. Other important information that helps to capture the operation of corporate social responsibility:</p> <p>In addition to focus on environmental protection, labor safety and employee welfare, the company has been actively involved in social welfare for a long time. Participating in public welfare with employees has become one of the corporate culture. This year's donations and sponsorship targets are as follows, and a corporate social responsibility report has also been compiled. Please refer to the contents of the report for the relevant operation.</p>										
<table border="1"> <thead> <tr> <th>Year</th> <th>Donee/Sponsored Party</th> <th>Total Amount (NT\$)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>                     The Presbyterian Church in Taiwan                      Fangyuan Elementary School                      Erlin Elementary School and other schools                      Erh-lin Vocational High School and other 28 schools                      Houliau Elementary School PTA                      National Federation of Industries                      Taiwan Chemical Industry Association                      Fangyuan Pu-tien Temple Administration                      Huashan Social Welfare Foundation                      Changhua Friends of Police Association                      Changhua love and Care Association                      Changhua County Civil Defense Corps Posseman                      Changhua Erlin Volunteer Fireman Department Fire Prevention Division                      Coporation Changhua County Joyce-Polio Care Association                 </td> <td>NT\$694 thousand</td> </tr> </tbody> </table>					Year	Donee/Sponsored Party	Total Amount (NT\$)	2020	The Presbyterian Church in Taiwan Fangyuan Elementary School Erlin Elementary School and other schools Erh-lin Vocational High School and other 28 schools Houliau Elementary School PTA National Federation of Industries Taiwan Chemical Industry Association Fangyuan Pu-tien Temple Administration Huashan Social Welfare Foundation Changhua Friends of Police Association Changhua love and Care Association Changhua County Civil Defense Corps Posseman Changhua Erlin Volunteer Fireman Department Fire Prevention Division Coporation Changhua County Joyce-Polio Care Association	NT\$694 thousand
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**4.6 The Deviations and the Root Causes Between How Company Deploys Integrity Management and the Integrity Management Code of OTC Listed Companies**

Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Deploys Integrity Management and the Integrity Management Code of OTC Listed Companies
	Yes	No	Explanation of Summary	
<p>1. Formulate Policies and Actions of Integrity Management</p> <p>(1) Does the company formulate an ethical operation policy approved by the Board of Directors, and clearly announce the ethical operation policy and practice in company regulations and external documents, as well as the Board of Directors and senior management's commitment to actively implement the operating policy?</p> <p>(2) Has the company established a risk assessment mechanism for deceiving behaviors, regularly analyzes and evaluates business activities with a higher risk of deceiving behaviors in the business activities, and formulates a</p>	✓		<p>(1) There is a "Business Conduct Guidelines" approved by the Board of Directors. Articles 5, 6, and 8 of the code clearly specify the integrity management policies, practices and commitments.</p> <p>(2) There are "Working Rules", "Code of Ethical Conduct", "Code of Integrity Management", "Rules for Preventing Insider Trading Operations" and various management regulations, all of which are important sections in education and</p>	No Deviation



Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Deploys Integrity Management and the Integrity Management Code of OTC Listed Companies
	Yes	No	Explanation of Summary	
<p>plan to prevent deceiving behaviors, and at least covers the "Integrity Management of OTC Listed Companies", the preventive actions for each of the acts in the second paragraph of Article 7 of the Code?</p> <p>(3) Does the company clearly define and implement operation procedures, behavior guidelines, punishment and appeal systems for violations in the plan for preventing deceiving behaviors, and regularly review the previously mentioned plan?</p>			<p>training to enable employees to understand the company's determination, prevention plans and Consequences of violation.</p> <p>(3) In the orienation, new hires provide "Notes for Colleagues", "Employee's Employment Consent Form", "Employee Guarantor Practice" and explain the violation of the above commitments. In addition to accepting legal sanctions, Employees who violate the rules can be compensated for the losses incurred by the company. Related information continuously update and promote from time to time during employee employment</p>	
<p>2. Implement integrity management</p> <p>(1) Does the company assess the integrity records of its counterparties and specify the integrity clauses in the contracts it signs with its counterparties?</p> <p>(2) Has the company set up a dedicated unit under the Board of Directors to promote corporate integrity management, and regularly report the implementation to the Board of Directors?</p> <p>(3) Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for reporting, and implement above actions?</p> <p>(4) Has the company established an effective accounting system and internal control system for the implementation of ethical operation, and the internal audit unit formulated relevant audit plans based on the assessment results of deceiving behavior, and verifies compliance with the plan for preventing deceiving behaviors, or entrust an accountant to perform the audit?</p>		✓	<p>(1) Review the transaction status of customers and third-party vendors from time to time, and if abnormal transaction is found, the implementation of transaction will be suspended.</p> <p>(2) None</p> <p>(3) When there is a conflict of interest in various proposals of the Board of Directors, the principle of avoiding interest shall be followed. Employees can directly report violations and complaints to the relevant supervisor or the audit unit of the Board of Directors</p> <p>(4) A. A cautious and accounting system and a dedicated accounting unit are set up. Financial reports are checked or reviewed by certified accountants to ensure the fairness of financial statements.                      B. Establish an effective internal audit system, self assessment system, legal compliance system, and risk management mechanism to maintain an effective and appropriate internal control system operation, and entrust an accountant to conduct an audit of the internal control system every year</p>	<p>According to actual needs or cooperate with laws and regulations</p>

Assessment Item	Operation Summary			The Deviations and Root Causes Between How Company Deploys Integrity Management and the Integrity Management Code of OTC Listed Companies
	Yes	No	Explanation of Summary	
(5) Does the company regularly organize internal and external education and training on integrity management?			(5) None	
<p>3. Reporting System Operation</p> <p>(1) Has the company formulated a specific reporting and reward system, set up a convenient reporting channel, and assigns appropriate acceptance personnel to the reported object?</p> <p>(2) Does the company formulate standard procedures to investigate the reported matters, follow-up after the investigation is completed, and proceed related confidentiality mechanisms?</p> <p>(3) Does the company take action to protect whistleblowers from being improperly handled due to reporting?</p>	✓		<p>(1) If employees have suggestions or complaints, they can make suggestions or complaints in writing, verbally, by phone or email to the officer of the management department or trusted executives at all levels</p> <p>(2) The supervisor shall immediately report to the president after accepting the employee's suggestion or appeal, and the president shall designate a person to handle the reported case. The accepting personnel or the specific handling personnel shall to handle any appeals based on the principle of confidentiality as soon as possible</p> <p>(3) After investigation, the complaint case is found to be improper or suspected of illegality, and the dereliction of duty shall be penalized in accordance with the relevant company regulations, or the legal responsibility shall be investigated in accordance with relevant laws and regulations, and the privacy rights of the proponent or the complainant shall be protecte.</p>	
<p>4. Enhance Information Disclosure</p> <p>Does the company disclose the content and promotion effect of the code of integrity management on company and public information observatory website?</p>	✓		Discloses on the company and public information observatory website	No Deviation
<p>5. If the company has its own code of integrity management in accordance with the "Code of Integrity Management of OTC Listed Companies", please state the deviations between company operation and the code:</p> <p>No Deviation</p>				
<p>6. Other important information that helps to understand the company's integrity management operations:( such as the company reviews and revises the code of integrity management, etc. )</p> <p>None</p>				

**4.7 If the company formulates corporate governance code and related regulations, the company should disclose the inquiry channels: Discloses on the company and public information observatory website**

**4.8 Other important information that is sufficient to enhance the understanding of corporate governance and operation conditions shall be disclosed together:**

1. The implementation of diversity policy regarding the Board of Directors

In addition to formulating the "Code of Practic of Corporate Governance", the election of directors (including independent directors) is specified in the "Articles of Incorporation" to adopt nomination system.

When selecting candidates for directors, not only the professional background of the directors themselves is considered, but diversity is also one of the important factors.

There are currently 9 directors, including 3 independent directors. Among the board members, there is also 1 female director, 3 directors with employee status, 3 independent directors with tenures of more than 4 years, 1 director is over 70 years old, and 6 directors are between 50 and 69 years old. Years old, 2 directors are under 40 years old. Directors' majors cover management, law, accounting, public health, etc., and are industry entrepreneurs, practicing lawyers, former certified public accountants from internationally renowned firms, and double masters from Yale University. They all have the necessary experience in business, finance or corporate sales. Their professional advices from different angles help the company operation significantly

Competents of Board Members

Title	Name	Gender	Management	Leadership and Decision Making	Finance and Accounting	Industry Know-how	Legal Expertise	International View
Chairamn	Kuo, Shao-yi	Male	✓	✓	✓	✓		✓
Director	Kuo, Shu-chen	Female	✓	✓	✓	✓		✓
Director	Chen, Han-ching	Male	✓	✓		✓		✓
Director	Hung, Tsung-chi	Male	✓	✓		✓		✓
Director	Kuo, Chi-an	Male	✓	✓				✓
Director	Kuo, Ko-chung	Male	✓	✓				✓
Independent Director	Lee, Dow-ming	Male	✓	✓	✓			✓
Independent Director	Lu, Chi-chant	Male	✓	✓	✓			✓
Independent Director	Ou, Yu-lun	Male	✓	✓			✓	✓

2. 2020 Independence Evaluation of Certified Public Accountants

With reference to Article 47 of the Accountants Law and the The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, Bulletin No. 10 "Integrity, impartiality, objectivity and independence", it is stipulated that:

Assessment Items	Assessment Results
1. Not having a direct or material indirect financial interest in the audit client	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. No significant and close business with the company	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3. Not entering into a potential employment negotiations with the audit client	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4. Not having any money lending with the company	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5. Not accepting gifts or preferential treatment from the client, the client's director, supervisor or manager (the value exceeds normal social etiquette)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. Not providing audit service to the company for seven years	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
7. Not holding shares of the company	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8. The Certified Public Accountant, the spouse or the dependent relatives and the member of the assurance team being, have not been a director, or supervisor of the client, or employed by the client in a position to exert significant influence over the subject matter of the engagement or perform related jobs within the last two years	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
9. Complies with the independence regulations in the The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, Bulletin No. 10 and obtained the "Independence Statement" issued by the Certified Public Accountant.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

### 4.9 The Deployment of The Internal Control

#### 1. Internal Control Statement

#### **Lealea Enterprise Co., Ltd. Internal Control Statement**

Date: March 29, 2021

Based on the results of self assessment of the internal control of the company in 2020, we hereby declare as follows:

1. The company ensures that the establishment, implementation and maintenance of internal control is the responsibility of the company's Board of Directors and managers, and the company has set up this system. The purpose is to reasonably assure the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset safety, etc.), the reliability of financial reporting, and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations. No matter how thoughtful the design is, an effective internal control system can only provide a reasonable guarantee for the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may vary. However, the company's internal control system has a self-monitoring mechanism; once the defect is identified, the company will timely take corrective action.
3. The company perceives the design and implementation of the internal control system are effective based on the assessment items on the effectiveness of the internal control system stipulated in the " Guidelines for the Establishment of Internal Control by Public Owned Companies" (hereinafter referred to as the " Guidelines"). The internal control system assessment items adopted by "Guidelines " are based on the control management process, which divides the internal control system into five components: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision. Each component includes several sections. For the previously mentioned items, please refer to the " Guidelines".
4. The company has adopted the above-mentioned internal control system judgment items to check the effectiveness of the design and implementation of the internal control system
5. Based on the assessment results, the company perceived that the company's internal control system (including supervision and management of subsidiaries) as of December 31, 2020, includes the effectiveness of operations, the assurance to which efficiency targets are achieved, and the reliability of the financial report, the design and implementation of the relevant internal control system and other relevant laws and regulations are effective, can reasonably ensure to achieve the above objectives.
6. This statement will be the main content of the company's annual report and public brochure, and will be made public. If there is any malpractice as falsehood or concealment in the above public content, it will involve legal liabilities under Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Law.
7. This statement was approved by the company's Board of Directors on March 29, 2021. Among the 8 directors present, 0 of them held objections. All of them agreed with the content of this statement and made this statement.

Lealea Enterprise Co., Ltd.

Chairman: Kuo, Shao-yi

President: Kuo, Shao-yi

2. Those who delegates an accountant to review the internal control system should disclose the report : None

**4.10 In the most recent year and as of the publication date of the annual report, the company and the internal personnel have been penalized in accordance with the law, or the company has imposed penalties on the internal personnel for violating the internal control regulations, and the results of the penalties may have a server impact on shareholder entities or securities prices, it should be specified the punishment content, main deficiencies and improvement action:** None

**4.11 In the most recent year and as of the publication date of the annual report, the important items concluded in Shareholders’ Meeting and Board of Directors**

2020 Shareholders’ Regular Meeting

1. Approve 2019 Operation Report and Financial Statement

Execution Status: Handle according to conclusion

2. Approve 2019 surplus distribution

Execution Status: Handle according to conclusion; there is no cash dividend allocated

3. Approve partial amendment of the Article of Incorporation

Execution Status: Handle according to conclusion; the registration is approved by the Minister of Economic Affairs on July 1, 2020

Important Matters Concluded in The Board of Directors

Date	17 <sup>th</sup> Board of Directors	Summary of Discussion	Opinion of Independent Directors	Resolution to the Opinion of Independent Directors
2020.02.04	6 <sup>th</sup> Meeting	1. Subsidiary company adjusts capital loan quota to others 2. The case of adjusting the limit of the loan to the subsidiary companies	Approve	None
2020.03.27	7 <sup>th</sup> Meeting	1. 2019 Financial Statement 2. Remuneration of employees and directors 3. 2019 Surplus Distribution 4. Evaluate the design and implementation of the internal control system according to the Internal Control System 5. Partial amendments of the Article of Incorporation 6. Partial amendments of the rules of procedure for the Board of Directors 7. Partial amendment of “Repurchased Stock Transferred to Employee” 8. Preparation for 2020 Regular Shareholders’ Meeting 9. Capital lending to the subsidiary companies 10. The case of adjusting the limit of the loan to the subsidiary companies	Approve	None
2020.04.30	8 <sup>th</sup> Meeting	1. 2019 Business Report 2. Capital lending to the subsidiary companies 3. The subsidiary companies loan capital to the other companies	Approve	None
2020.05.29	9 <sup>th</sup> Meeting	1. Involvement of with subsidiary companies’s capital increasing case 2. Adjustment of capital loan criteria	Approve	None
2020.06.29	10 <sup>th</sup> Meeting	Adjustment of capital loan to subsidiary companies	Approve	None
2020.07.29	11 <sup>th</sup> Meeting	The subsidiary companies loan capital to the other companies	Approve	None
2020.10.28	12 <sup>th</sup> Meeting	1. Adjustment of directors’ compensation 2. Establishment of practices of Corporation Governance 3. Establishment of Corporate Business Conduct Guidelines 4. Establishment of performance measurement policies of Board of Directors	Approve	None

Date	17 <sup>th</sup> Board of Directors	Summary of Discussion	Opinion of Independent Directors	Resolution to the Opinion of Independent Directors
2020.11.10	13 <sup>th</sup> Meeting	1. Borrowing from subsidiary companies 2. The subsidiary companies loan capital to the other companies	Approve	None
2020.12.28	14 <sup>th</sup> Meeting	1. 2021 audit plan 2. 2021 company operation plan 3. The subsidiary companies loan capital to the other companies	Approve	None
2021.01.27	15 <sup>th</sup> Meeting	1. Remuneration of employees and directors 2. Bonus base and calculation 3. Delegation of 2021 Certified Public Accountants 4. Capital lending to the other companies	Approve	None
2021.03.12	16 <sup>th</sup> Meeting	The subsidiary companies loan capital to the other companies	Approve	None
2021.03.29	17 <sup>th</sup> Meeting	1. 2020 Business Report and Financial Statements 2. Remuneration of employees and directors 3. 2020 Appropriation of Loss 4. Assessment on internal control system design and deployment status according to "Internal Control System" 5. Partial amendments of the Article of Incorporation 6. Partial amendments of rules of procedure of Shareholders' Meeting 7. Preparation for 2021 Regular Shareholders' Meeting 8. Remuneration and compensation plans for promoted personnel 9. The subsidiary companies loan capital to the other companies	Approve	None

**4.12 In the most recent year and as of the publication date of the annual report, there are directors or supervisors hold different opinions with records or written declarations to the important matters concluded in the Board of Directors:** None

**4.13 In the most recent year and as of the publication date of the annual report, the summary of personnels related to financial statements resigned or dismissed:** None

## 5. Information on CPA professional fees

### 5.1 Information of Accountant Fee

Unit: In Thousands of New Taiwan Dollars

Accounting Firm Name	Accountant's Name	Audit Fee	Non Audit Fee				Total Fee	Accountant Audit Period	Remarks
			Procedure Design	Business Registration	Human Resource	Others			
Deloitte Taiwan	Wu, Ke-chang	3,830	0	0	0	50 (Remarks 1)	3,880	2018.07~ as of today	
	Chiu, Ming-yu								
	Wang, Ruei-hong	0	0	0	0	75 (Remarks 2)	75	2020	

Remarks 1: Refers to non executive salary check fee

Remarks 2: Refers to direct deduction from audit fee

1. If the none audit fee paid to the certified accountant, the certified accounting firm or the affiliate more than one fourth to the audit fee, the audit fee, non-audit fee and non audit service content: None
2. If there is accounting firm change and the audit fee is lower the most year, the audit fees and reasons should be disclose: None
3. Audit Fee was reduced more than 10%, the deducted amount, proportion and reasons should be disclosed: None

**6. Information on replacement of CPAs:** None

7. Chairman, President and Financial / Accounting Managers Who Ever Employed in Certified Public Account Firms or the Subsidiaries, Should Release Their Names, Job Responsibilities and Employee Period. The term "affiliated company of the certified public accountant's firm" refers to the accountant firm which the accountant of the certified public holds more than 50% of the shares or obtains more than half of the board seats, or is listed in the information released or printed by the certified public accountant's firm as a related company or organization: None

8. Share transfers and changes in directors, supervisors, managers, and shareholders whose shareholding proportion exceeds 10% in the most recent year and as of the date of publication of the annual report

Share changes in directors, supervisor, managers and mainshareholders' equity

Unit: Stock

Title	Name	2020		Current Year as of April	
		Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)	Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)
Chairman	Kuo, Shao-yi	197,991	0	0	0
Director	Li Peng Enterprise	453,000	0	0	0
	Representative: Kuo, Shu-chen	197,990	0	0	0
Director	Tung Ting Investment	0	0	0	0
	Representative: Chen, Han-ching	(24,000)	0	0	0
Director	Li Zan Investment	0	0	0	0
	Representative: Kuo, Chi-an	0	0	0	0
Director	Shun Yu Investment	0	0	0	0
	Representative: Kuo, Ko-chung	330,000	0	0	0
Director	Hung, Tsong-chi	0	0	0	0
Independent Director	Lee, Dow-ming	0	0	0	0
Independent Director	Lu, Chi-chant	0	0	0	0
Independent Director	Ou, Yu-lun	0	0	0	0
Manager	Kuo, Shao-yi	197,991	0	0	0
Manager	Jan, Ming-lang	(31,000)	0	0	0
Manager	Chen, Han-ching	(24,000)	0	0	0
Manager	Chang, Wen-hsien	0	0	0	0
Manager	Tsai, Chun-chung	(16,000)	0	0	0
Manager	Hsu, Mao-chi	(45,000)	0	(18,000)	0
Manager	Tseng, Jui-shan	0	0	0	0
Manager	Wang, Tso-jen	0	0	0	0
Manager	Hsu, Tsui-ping	(127,000)	0	(6,000)	0
Manager	Chen, Wei-cheng	0	0	0	0
Manager	Shih, Chi-yu	0	0	0	0
Manager	Hu, Yung-kang	0	0	0	0
Accounting Manager	Hsu, Li-hsueh	0	0	0	0
Financial Manager	Ko, Pei-chun	0	0	0	0

Information of related parties that the counterparties for the transfer of shares are directors, supervisors, managers, and shareholders whose shareholding proportion exceeds 10%: None

Information of related parties that the counterparties of pledge stock are directors, supervisors, managers and shareholders whose shareholding proportion exceeds 10%: None



**9. Information of Top 10 Shareholders and Stakeholders as Spouses or Relatives within The Second Degrees of Relationship**

**Information of the related parties among top 10 shareholders**

Name	Shareholding		Spouses' and Minor Children's Shareholding		Shareholding in Other People's Names		Other Executives, Directors or Supervisors Who Have Relationship with Spouses or Second Class Relatives		Remarks
	Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio	Shareholding Number	Shareholding Ratio	Name	Relationship	
Tung Ting Investment Co., Ltd. Representative: Kuo, Shao-yi	76,336,784	7.97%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Li Peng Enterprise	The same president	
	13,673,114	1.43%	5,813,330	0.61%	76,336,784	7.97%			
Li Peng Enterprise Co., Ltd. Representative: Kuo, Shao-yi	71,743,197	7.49%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Li Muo Investment Hung Shing Investment Li Shing Investment	With leverage power to invested company	
	13,673,114	1.43%	5,813,330	0.61%	76,336,784	7.97%	Tung Ting Investment	The same president	
Li Muo Investment Co., Ltd. Representative: Lin, Shiu-ling	51,122,710	5.34%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Li Peng Enterprise	The investor With leverage power	
							Hung Shing Investment Li Shing Investment	Substantive related parties	
	146,510	0.02%	489	0	0	0	None	None	
Li Shing Investment Co., Ltd. Representative: Chen, Hui-chen	34,957,623	3.65%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Li Peng Enterprise	The investor with leverage power	
							Hung Shing Investment Li Muo Investment	Substantive related parties	
	0	0	0	0	0	0	None	None	
Hung Shing Investment Co., Ltd. Representative: Huang, Yi-ping	33,700,977	3.52%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Li Peng Enterprise	The Investor with leverage power	
							Li Muo Investment Li Shing Investment	Substantive related parties	
	0	0	0	0	0	0	None	None	
Chih Hsiang Investment Co., Ltd. Representative: Tsao, Yung-hsiang	24,606,260	2.57%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None	None	
	166	0	0	0	0	0	None	None	
Kai Hsiang Investment Co., Ltd. Representative: Huang, Hui-lan	21,617,229	2.26%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None	None	
	8,652	0	0	0	0	0	None	None	
Shun Yu Investment Co., Ltd. Representative: Tsao, Yung-tien	15,359,913	1.60%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None	None	
	166	0	0	0	0	0	None	None	
Kuan Hsiang Investment Co., Ltd. Representative: Hung, Tsung-chi	14,304,432	1.49%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None	None	
	3,031,920	0.32%	1,042,935	0.11%	0	0	None	None	
Kuo, Shao-yi	13,673,114	1.43%	5,813,330	0.61%	76,336,784	7.97%	Tung Ting Investment Li Peng Enterprise	The same president	

## 10. Number of Shares and Proportion Combining Consolidated Shareholding of The Company, Directors, Managers and Reinvestment Business of Joint Ventures

### Consolidated Shareholding Ratio

April 25, 2021

Unit: Share: %

Reinvestment Business	Investment by The Company		Investment to Business that Directly or Indirectly Controlled by Directors and Managers		Consolidated Investment	
	Number of Stock	Shareholding Ratio	Number of Stock	Shareholding Ratio	Number of Stock	Shareholding Ratio
Li Peng Enterprise Co., Ltd.	145,353,853	15.89%	115,268,090	12.60%	260,621,943	28.49%
Rich Development Co., Ltd.	51,839,894	6.97%	54,611,649	7.34%	106,451,543	14.31%
Li Muo Investment Co., Ltd.	35,244,000	46.62%	40,356,000	53.38%	75,600,000	100%
Li Hao Investment Co., Ltd.	40,356,000	53.38%	35,244,000	46.62%	75,600,000	100%
Li Zan Investment Co., Ltd.	24,460,000	53.17%	21,540,000	46.83%	46,000,000	100%
Hung Shing Investment Co., Ltd.	23,304,000	46.98%	26,296,000	53.02%	49,600,000	100%
Li Shing Investment Co., Ltd.	37,600,000	47.00%	42,400,000	53.00%	80,000,000	100%
Lealea Technology Co., Ltd.	11,031,102	29.05%	9,815,207	25.85%	20,846,309	54.90%
Fu Lea Transportation Co., Ltd.	3,500,000	25.00%	2,800,000	20.00%	6,300,000	45.00%
Libolon Enterprise Co., Ltd.	5,000,000	100%	0	0%	5,000,000	100%
Lea Jie Energy Co., Ltd.	21,000,000	70%	9,000,000	30.00%	30,000,000	100%
Li Ling Film Co., Ltd.	2,100,000	3.5%	17,720,500	29.53%	19,820,500	33.03%
PT. INDONESIA LIBOLON FIBER SYSTEM	13,370,000	70%	5,730,000	30%	19,100,000	100%

Remarks 1 : Refers to the investment made in accordance to Equity Method.

Remarks 2 : The company originally held 55% of Libolon Energy stocks, and totally transferred to Li Peng Enterprise in July, 2020.

Remarks 3 : The paid-in capital of PT. INDONESIA LIBOLON FIBER SYSTEM US\$95,500,000, and the issuing face amount: Unit/US\$5. The company held 70%, which was US\$66,850,000/US\$5=13,370,000 units.

## IV. Capital Overview

### 1. Capital and Shares

#### 1.1 Source of Equity

##### 1. Capital Formation Procedure

Year. Month	Issuing Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Stock	Amount of Stock	Number of Stock	Amount of Stock	Source of Equity	Offset Capital with Property out of Cash	Others
1988.10	10	19,668,000	196,680,000	19,668,000	196,680,000	Refers to remarks 1	None	None
1989.11	10	38,800,000	388,000,000	38,800,000	388,000,000	Refers to remarks 2	None	None
1990.08	10	58,000,000	580,000,000	43,999,200	439,992,000	Refers to remarks 3	None	None
1990.12	10	58,000,000	580,000,000	58,000,000	580,000,000	Refers to remarks 4	None	None
1991.06	10	90,000,000	900,000,000	66,700,000	667,000,000	Refers to remarks 5	None	None
1992.05	10	160,000,000	1,600,000,000	110,060,000	1,100,600,000	Refers to remarks 6	None	None
1993.06	10	166,000,000	1,660,000,000	162,072,000	1,620,720,000	Refers to remarks 7	None	None
1994.06	10	270,000,000	2,700,000,000	194,127,840	1,941,278,400	Refers to remarks 8	None	None
1994.12	10	270,000,000	2,700,000,000	270,000,000	2,700,000,000	Refers to remarks 9	None	None
1995.06	10	414,000,000	4,140,000,000	310,800,000	3,108,000,000	Refers to remarks 10	None	None
1996.08	10	440,000,000	4,400,000,000	431,940,000	4,319,400,000	Refers to remarks 11	None	None
1997.05	10	600,000,000	6,000,000,000	492,231,000	4,922,310,000	Refers to remarks 12	None	None
1998.05	10	800,000,000	8,000,000,000	690,000,000	6,900,000,000	Refers to remarks 13	None	None
1999.06	10	850,000,000	8,500,000,000	731,400,000	7,314,000,000	Refers to remarks 14	None	None
2008.09	10	850,000,000	8,500,000,000	767,970,000	7,679,700,000	Refers to remarks 15	None	None
2010.06	10	850,000,000	8,500,000,000	783,329,400	7,833,294,000	Refers to remarks 16	None	None
2011.07	10	1,200,000,000	12,000,000,000	885,162,222	8,851,622,220	Refers to remarks 17	None	None
2012.06	10	1,200,000,000	12,000,000,000	911,717,089	9,117,170,890	Refers to remarks 18	None	None
2014.07	10	1,200,000,000	12,000,000,000	957,302,942	9,573,029,420	Refers to remarks 19	None	None

Remarks 1: The company merged Li Wen company with stocks of NT\$58,800,000, and the capital increase by retained earning was NT\$17,880,000

Remarks 2: In accordance with Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 02066 dated November 18, 1989, capital increase by seasoned equity offering of NT\$98,340,000, retained earning of NT\$66,821,560 and capital reserve increase of NT\$26,158,440 were approved

Remarks 3: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 02386 dated August 23, 1990, capital increase by retained earning of NT\$50,440,000 and capital reserve increase of NT\$1,552,000 was approved

Remarks 4: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 03393 dated December 7, 1990, capital increase by season equity offering of NT\$140,008,000 was approved

Remarks 5: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 01327 dated June 27, 1991, capital increase by retained earning of NT\$58,000,000 capital reserve increase of NT\$29,000,000 was approved

Remarks 6: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 00836 dated May 1, 1992, capital increase by season equity offering of NT\$300,200,000, retained earning of 66,700,000 and capital reserve increase of NT\$66,700,000 were approved

Remarks 7: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 01370 dated June 9, 1993, capital increase by issueing special stocks of NT\$300,000,000, retained earning of NT\$110,060,000 and capital reserve increase of NT\$110,060,000 was approved

Remarks 8: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 27065 dated June 15, 1994, capital increase by retained earning of NT\$158,486,400 and capital reserve increase of NT\$162,072,000 was approved

Remarks 9: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 43465 dated December 30, 1994, capital increase by seasoned equity offering of NT\$758,721,600 was approved

Remarks 10: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 34570 dated June 14, 1995, capital increase by retained earning of NT\$240,000,000 and additional paid in capital of NT\$168,000,000 was approved

Remarks 11: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 46973 dated August 10, 1996, capital increase by seasoned equity offering of NT\$777,000,000, retained earning of NT\$280,800,000 and capital reserve increase of NT\$153,600,000 was approved

Remarks 12: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 41445 dated May 21, 1997, capital increase by retained earning of NT\$401,940,000 and capital reserve increase of NT\$200,970,000 was approved

Remarks 13: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 30522 dated April 20, 1998, capital increase by seasoned equity offering of NT\$1,053,228,000 was approved. In accordance to Finance Securities and

Futures Management Committee, Taiwan Finance Securities Regulation No. 37791 dated May 5, 1998, capital increase by retained earning of NT\$462,231,000 and capital reserve increase of NT\$462,231,000 was approved

Remarks 14: In accordance to Finance Securities and Futures Management Committee, Taiwan Finance Securities Regulation No. 56958 dated June 22, 1999, capital increase by capital reserve increase of NT\$414,000,000 was approved

Remarks 15: In accordance to Financial Supervisory Commission R.O.C. (Taiwan) No. 0970032565 dated September 1, 2008, capital increase by capital reserve increase of NT\$365,700,000 was approved

Remarks 16: In accordance to Financial Supervisory Commission R.O.C. (Taiwan) No. 0990033716 dated June 30, 2010, capital increase by capital reserve increase of NT\$153,594,000 was approved

Remarks 17: In accordance to Financial Supervisory Commission R.O.C. (Taiwan) No. 1000030448 dated July 1, 2011, capital increase by retained earning of NT\$1,018,328 thousand was approved

Remarks 18: In accordance to Financial Supervisory Commission R.O.C. (Taiwan) No. 1000030448 dated June 26, 2012, capital increase by retained earning of NT\$265,548 thousand was approved

Remarks 19: In accordance to Financial Supervisory Commission R.O.C. (Taiwan) No. 1030025254 dated July 3, 2014, capital increase by retained earning of NT\$182,343 thousand and capital reserve increase of NT\$273,515 thousand were approved

Type of Stock	Authorized Capital				Remarks
	Outstanding Share	Treasury Stock	Unissued Share	Total	
Common Stock	957,302,942	0	242,697,058	1,200,000,000	Listed Stocks

2. Shelf Registration Related Information: None

1.2 Shareholder Structure

April 25, 2021

Shareholder Structure Number	Government Agency	Financial Institution	Other Legal Person	Individual	Foreign Institution and Foreigner	Total
Population	3	10	64	71,647	134	71,858
Number of Stock	19	1,215,293	409,938,927	472,303,607	73,845,096	957,302,942
Proportion of Shareholding	0%	0.13%	42.82%	49.34%	7.71%	100%

1.3 Diffusion of Equity

NT\$10 par value

April 25, 2021

Rank of Shareholding (stock)	Population of Shareholder	Number of Share	Proportion of Shareholding
1 ~ 999	22,555	5,631,526	0.59%
1,000 ~ 5,000	34,868	79,563,698	8.31%
5,001 ~ 10,000	7,412	61,275,132	6.40%
10,001 ~ 15,000	2,108	26,911,406	2.81%
15,001 ~ 20,000	1,718	32,663,081	3.41%
20,001 ~ 30,000	1,175	30,928,781	3.23%
30,001 ~ 40,000	523	18,962,918	1.98%
40,001 ~ 50,000	393	18,704,210	1.95%
50,001 ~ 100,000	634	46,636,455	4.87%
100,001 ~ 200,000	257	36,306,234	3.79%
200,001 ~ 400,000	90	25,022,279	2.61%
400,001 ~ 600,000	35	17,485,686	1.83%
600,001 ~ 800,000	14	9,821,263	1.03%
800,001 ~ 1,000,000	12	10,959,928	1.15%
1,000,001 or above	64	536,430,345	56.04%
Total	71,858	957,302,942	100 %

Special Stock: None

**1.4 Main Shareholder List**

April 25, 2021

Main Shareholder's Name	Shareholding	Number of Shareholding	Proportion of Shareholding
Tung Ting Investment Co., Ltd.		76,336,784	7.97%
Li Peng Enterprise Co., Ltd.		71,743,197	7.49%
Li Muo Investment Co., Ltd.		51,122,710	5.34%
Li Shing Investment Co., Ltd.		34,957,623	3.65%
Hung Shing Investment Co., Ltd.		33,700,977	3.52%
Chih Hsiang Investment Co., Ltd.		24,606,260	2.57%
Kai Hsiang Investment Co., Ltd.		21,617,229	2.26%
Shun Yu Investment Co., Ltd.		15,359,913	1.60%
Kuan Hsiang Investment Co., Ltd.		14,304,432	1.49%
Kuo, Shao-yi		13,673,114	1.43%

## 1.5 Market Price, Net Value, Earning and Dividend Per Share

Item		Year		2019	2020	Current Year as of March 31, 2021 (remarks 8)
Market Price per Share (remarks 1)	The Highest			10.35	15.85	13.85
	The Lowest			8.70	5.9	10.8
	Average			9.73	12.58	12.11
Net Value per Share (remarks 2) (remarks 10)	Before Distribution			10.84	10.84	10.78
	After Distribution			10.84	remarks 9	-
Earnings per Share	Weighted Average Number of Shares			951,564,579	951,564,579	951,564,579
	Earnings per Share (remarks 3)	Before Adjustment		0.06	(0.38)	0.08
		After Adjustment		0.06	remarks 9	-
Dividend per Share	Cash Dividend			0	0 (remarks 9)	-
	Inssuance of Bonus	Stock Dividend		0	0 (remarks 9)	-
		Dividend of Additional Paid in Capital		0	0 (remarks 9)	-
	Dividend in Arrears (remarks 4)			0	0	-
Return on investment analysis	Price-to-earning Ratio (remarks 5)			160.33	(25.08)	148.57
	Price-to-dividend Ratio (remarks 6)			0	0	-
	Cash Dividend Yield (remarks 7)			0	0	-

Remarks 1: List the highest and lowest market prices of common stocks in each year, and calculate the average market price of each year based on the transaction value and volume of each year .

Remarks 2: Fill in the list the columns based on the number of issued shares at year and the distribution based on the conclusion of the Shareholders' Meeting in the following year.

Remarks 3: If retrospective adjustment is required due to circumstances such as issuance of bonus stocks, the earnings per share before and after adjustment shall be shown .

Remarks 4: If the equity securities issuance conditions stipulate that the dividends not paid in the current year shall be accumulated to the year of surplus, the dividends accumulated and not paid up to the current year shall be disclosed separately .

Remarks 5: Price-to-earnings ratio = average closing price per share for the year/earnings per share.

Remarks 6: Price-to-dividend ratio = average closing price per share for the year/cash dividend per share .

Remarks 7: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Remarks 8: The net value per share and earnings per share should be filled in with the information verified (reviewed) by an accountant in the most recent quarter as of the publication date of the annual report; the remaining fields should be filled in with the data of the current year as of the publication date of the annual report.

Remarks 9: The Board of Directors proposed a distribution proposal, which was approved by the 2021 Shareholders' Meeting.

Remarks 10: The number of issued shares at the end of the year is the number of issued shares of the company at the year minus the number of shares of the parent company held by the subsidiary

### 1.6 Policies and Implementation Status

#### 1. Policy of Dividend

If there is a surplus in the company's annual final accounts, it shall first remedy for the accumulated losses, and then allocate 10% of the legal surplus reserve according to law; however, when the legal surplus reserve has reached the total paid-in capital, it shall be exempted. Then, if the special surplus reserve shall be allocated or transferred according to the laws or regulations and the competent authority. If there is a balance, add the accumulated undistributed surplus at the beginning of the period as the distributable surplus, and allocate 0% to 100% of the distributable surplus, which will be distributed after the Board of Directors drafts a distribution plan and submits it to the Shareholders' Meeting for execution.

Among the shareholder dividends was concluded by the Board of Directors, the cash dividend shall not be less than 5% of the total dividends, but if the cash dividend per share does not reach NT\$0.1, it may be distributed as a stock dividend. Due to the volatile industry environment and its diversified development, it is necessary to change the payment of stock dividends in accordance with the capital budget and capital status.

#### 2. The Proposed Dividend Distribution at the Shareholders' Meeting

The lost remedy was proposed for 2020, which was approved by the Board of Directors on March 29, 2021. This year, the dividend will not be distributed due to losses, and the motion is pending for the conclusion of the Shareholders' Meeting.

3. It is expected that there will be no major changes in the company's dividend policy in the future.

### 1.7 The impact of the bonus shares discussed by the Shareholders' Meeting on the company's operation performance and earnings per share: There is no motion proposing bonus share at the Shareholders' Meeting

### 1.8 Employees and Directors

#### 1. The proportion or scope of the remuneration of employees, directors and supervisors stated in the Articles of Incorporation

According to Article 29 of the Articles of Incorporation of the Company: If there is a profit in the year, at least 2% shall be allocated for employee compensation, and no more than 5% shall be allocated for the remuneration of directors and supervisors. However, when there are accumulated losses, the compensation amount shall be reserved in advance, and then the remuneration of employees and directors and supervisors shall be allocated in accordance with the previously mentioned proportion. The remuneration of employees shall be concluded by the Board of Directors in stock or cash, and the payment objects may include employees of affiliated companies who meet the criteria set by the Board of Directors.

#### 2. The estimated scope for the remuneration of employees, directors and supervisors in the current period, the calculation basis with the number of shares allocated for stock dividends, and the accounting amendment if the actual distribution amount differs from the estimated amount

(1) The basis for the estimation of the amount of employees and directors' compensation in the current period:

Since 2020 is a loss, the amount of compensation for employees and directors has not been estimated.

(2) The basis for stock distribution of calculating the number of stock for employee compensation distribution: None

(3) Accounting amendment when there is a deviation between the actual distribution amount and the estimated amount: None

#### 3. 2020 Remuneration Distribution Status of 2021 Remuneration Distribution Approved by The Board of Directors:

(1) If the amount of employees and directors' remunerate on is different from the annual estimated amount of recognized expenses, the deviation, the reason and the handling shall be disclosed:

Since 2020 was a loss, the amount of compensation for employees and directors has not been estimated



- (2) The proportion of the amount of employee compensation distributed with stocks to the total amount of after tax net profit and total employee compensation in the individual report for the current period: None
4. The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number of shares distributed, amount and stock price), and the difference between the remuneration of recognized employees, directors and supervisors, and the number of deviations, reasons and actions taken should be stated:

In 2020, the Board of Directors approved a cash distribution of NT\$2,002 thousand for employee compensation and directors' compensation for the year 2019, which is no deviation from the estimated annual amount of recognized expenses.

**1.9 Repurchase Company's Stocks:** None

**2. Bond Issuance:** None

**3. Preferred Stock Issuance:** None

**4. Global Depository Receipt Issuance :** None

**5. Employee Stock Option :** None

**6. New Stock with Employee Restricting Rights Issuing:** None

**7. Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares:** None

**8. Capital Utilization Plan and Deployment Status**

**8.1 Plan Content:** None

**8.2 Deployment Status:** None

## V. Operational Highlights

### 1. Business Scope

#### 1.1 Business Items

##### 1. Main Content and Operation Proportion of Business:

Item	Proportation to Sales Revenue
Textured Yarn	47.18%
Bottle Ester Pellet	20.21%
Polyester Oriented Yarn and Polyester Pellet	16.05%
Filament Fabric	7.90%
Coal	6.23%
Others	2.43%
Total	100%

##### 2. Current products (services):

Main products are bottle ester pellet, polyester, polyester textured yarn, nylon textured yarn.

##### 3. New products (services) to be developed:

(1) With strong corporate resources, advanced R&D equipment and polymer synthesis modification technology, the company continues to develop towards comfortable, safe, and environmentally friendly composite functional fiber materials to fulfill consumer market demand; in addition, we also focus on the development of forward-looking materials in the field of performance engineering plastics. After the feasibility analysis on the market promotion for the following products, the analysis team highly recognized the development of following products.

##### ① Functional textured yarn with elasticity and comfort

ColorsLea-Mechanical stretch ydearn special processing equipment and technology are used to develop and produce textured yarns with special heterochromatic twists and color-saving effects, which can be dyed single or double, with unlimited colors and micro-elastic effects. Wooly super-elastic yarn: Developed with environmental protection requirements and excellent wool feeling without abrasion, which can be used in knitted warp knitting, sports, casual pants, etc., with natural cotton (wool)-like comfort fiber.

##### ② Develop more holistic recycling processes and products

With recycled materials and polymerization technology, a series of environmentally friendly products have been developed for clothing, furnishings or other industrial usages, such as special functional flame retardant, cationic flame retardant, high shrinkage, low melting point PET and other ester particles and fibers. At present, it also combines high-tech electronic communication industry customers to use recycled materials from PET bottles to make environmentally-friendly raw liquid dyeing materials to provide variable original colored yarns.

##### ③ Products with circular economy as the main focus

Viewing environmental protection, the company obtained GRS international certification. Based on the principle of creditability, the company spared no effort to recycle materials by discarding PET bottles and strictly control the production process to develop various yarns for clothing and industrial products that users can use at ease. At the same time, we are committed to recycle all kinds of waste from the

production side, so that environmental protection and circular economy can be reinforced, and the corporate image and reputation in the world can be improved, and actively cooperate with well-known international chain distributors to directly face the consumers. The contact window makes the mechanism of resource recycling and reuse more perfect. This environmental protection concept has also been recognized by domestic/overseas customers and consumers.

- (2) Faced with domestic/overseas competition and threats, the company is actively focusing on the improvement of corporate competitiveness and the protection of shareholders' equity. Therefore, in conjunction with domestic academic and industrial technology research institutions, the company aggressively creates high-value, high-performance, high-quality industrial plastics and fiber materials. In addition to the introduction of advanced technology and new equipment, we also continuously enhance production efficiency by replacing old equipment and make a market leader with high value products.
- (3) To respond to environmental pollution and global warming, the company is committed to the development of various environmentally friendly fiber materials, allowing customers to obtain better dyeing quality with the advantages of low energy consumption and low pollution, while also saving costs. Therefore, the company has continued to develop products such as low-temperature dyed fibers, deep dyed fibers, and original drawn yarns with excellent results.
- (4) To decrease the environmental pollution of microfibers and particles, Lealea also actively cooperates with various brands to develop biodegradable polyester materials to reduce the impact of polyester fibers on the marine environment. The company is currently promoting the business.
- (5) Considering circular economy issue, how to effectively recycle, regenerate or reuse has always been many manufacturers' development goal. Lealea Company focuses on the recyclability of all materials. Developed super stretch yarns that can replace OPs, TPEE materials that can replace TPU waterproof and moisture-permeable membranes, etc., and provide more environmentally friendly materials and products for promotion and sales.

## 1.2 Industry Overview

### 1. Industry current status and future development

Textile industry in Taiwan has developed into a complete textile production system, and the quality and price competitiveness of polyester textured yarn is second to none in the international market. However, the industry has rapidly and massively expanded the variety of products in mainland China and Southeast Asian countries. After production capacity, the development focus must be shifted from increasing production to quality improvement, gradually replacing mass and standardized products with functionally differentiated products, strengthening vertical integration with and horizontal labor dividing on international cooperative production/marketing, strategizes globally, uplift the competitiveness to create the foundation of sustainable development of Taiwan texture industry.

### 2. The relevance of the upstream, midstream and downstream of the industry

At present, the products produced by our company include spinning grade polyester pellets, bottle grade polyester pellets, polyester yarns and textured yarns. The upstream raw materials of polyester pellets are PTA and EG. The suppliers are Oriental Petrochemical (Taiwan), Oriental Union Chemical, Nan Ya Plastics and China Man-made Fibre; part of spinning-grade polyester pellets is sold out, and part of them is supplied to the factory producing polyester oriented yarn. The upstream raw material POY is not only supplied by the factory itself, but also purchased from domestic specific oriented yarn factories such as Li Peng Enterprise and Chung Shing Textile. The downstream sales are also mainly domestic fabric factories, such as Li Peng and Formosa Taffeta, etc., and there are other exported to more than 70 countries in the world; the company's bottle-grade ester granules have been sold to domestic major blow molding factories and film factories, and the export part of products to more than 30 countries in regions include North Africa, the Middle East, Southeast Asia, America, Europe and Mainland China.

### 3. Various development trends and competition of products

Taiwan's polyester fiber and polyester related products have a large capacity, a wide variety of categories and stable quality. They are a very competitive part in the value chain of Taiwan's textile industry. However, as in international environment surrounded by strong competitors, the competitors from emerging industrial countries are subject to low prices and it has been tough to compete with general specification products on pricing for Taiwan texture sales. Thus, in addition to focus on improving quality, it also enhances the added value of products with the overall advantages of good stability, product differentiation and rapid response to the market. At the same time, the company also commits to the R&D of high-tech textiles and global strategies to enhance competitiveness.

### 1.3 Technology and R&D Overview

#### 1. Preface

The company follows the business philosophy of "diligence, thrift, solidity, proactiveness, and innovation" of the founder. With the vertical integration, the company proceeds R&D of new products. It has won a number of patents and assisted in the improvement of production plants. Further more, the company continues to the gradual replacement and expansion of the original equipment with the most economical investment and land for effective utilization, purchases the most advanced process equipments, such as the latest false twisting machines, or the bottle-grade ester pellet process, and put it into production consequently. Besides product quality and production efficiency, the promotion of new products is highly recognized by the market.

To fight environmental pollution and global warming, the company has never slackened the energy saving and carbon reduction in the production process, and has been more proactive in research and development so that consumers can also perceive the substantial effects of energy saving and carbon reduction when using the company's products. This kind of products with resource recycling, energy saving or carbon reduction as the main appeal not only protects the resources on the earth, but also takes into account the prevention and control of environmental pollution, energy saving and carbon reduction, and works together on combating global warming.

#### 2. The R&D expense in the most recent year and as of the date of publication of the annual report:

Unit: In Thousands of New Taiwan Dollars

Item	Year	2020	2021 (estimated)
R&D Expense		44,591	92,000
% for R&D Expense vs. Net Sales		0.61%	0.80%

#### 3. The newly developed technologies or products in the most recent year and as of the date of publication of the annual report:

- (1) ReEcoya
- (2) Barcode, Barcode II
- (3) Crystalea
- (4) Oceaya
- (5) Thousand Feather Yarn
- (6) Eco Recycle Low-melting Fiber
- (7) Bio-degradable Fiber
- (8) TPEE (Thermoplastic Polyester Elastomer)
- (9) CRZ Eco Fiber
- (10) High Stretch Yarn
- (11) Wooly High-stretch Yarn
- (12) Lucas

#### 1.4 Long-term and Short-term Business Plan

Short-term business plan:

1. Encountering China, India and Southeast Asian countries to sell to foreign markets at low prices, it has seriously threatened Taiwan's export. Therefore, it is necessary to adjust the product sales structure and increase the proportion of high value-added products (such as functional yarns).
2. The domestic downstream weaving industry has slowed down demand due to enterprise relocation and closure. Therefore, customized product marketing strategies are formulated for different customers to retain customers, increase domestic market share, and achieve maximum benefits.
3. Aiming at regions with potential for development but still low in the company's market share, we will set up new marketing strategies and strengthen the ability to expand. Such as, nylon textured yarn needs to expand the production and sales share.
4. Now we have developed and mature products, we regularly hold product launches and cooperate with the overall marketing strategy to achieve the planned results in short time.

Long-term business plan:

1. Actively explore the export markets outside of Southeast Asia and Mainland China, such as West Asia, Eastern Europe and Latin America, and get rid of the pricing competition of products from Mainland China and Southeast Asian countries.
2. In response to the world's strong demand for environmentally friendly products, the company needs to strengthen the R&D of environmentally friendly products and actively deploy appropriate marketing strategies for the huge business opportunities.
3. In response to the strong demand of consumers for new fibers and new machine (functional) products, in cooperation with the company's research and development unit, formulate medium and long-term marketing strategies, in order to achieve the company's long-term best product line and maximum benefits.
4. With the core brand "LIBOLON" and combining with mid and downstream brands, the company develops and produces high value-added products through strategic alliances.
5. Actively seek business opportunities related to polyester products, and assess the possibility of investing production or trading.
6. Overseas acquisition of weaving and dyeing factories (Indonesia LIBOLON) extends high-quality products and supply branded garments and expand trading from production bases in Indonesia to ASEAN countries, breaking through the barriers of Taiwan's export tax rate.
7. The Indonesian LIBOLON factory plans to set up a false twist processing factory to supply cloth factories nearby and sell them locally in Indonesia to increase sales and market share.

**2. Market and Production/Sales Overview**

**2.1 Market Scope**

1. Regions of main product sales

Unit: In Thousands of New Taiwan Dollars

Year \ Region	Taiwan	Export			Total
		Asia	America	Others	
2020	4,923,972	2,088,159	1,081,590	279,888	8,373,609

2. Market Share: The company's domestic market share of textured yarn is 16% approximately.

3. The future supply/demand and growth of the market

From global development trend of the man-made fiber industry, it is not difficult to note that polyester fiber is still the most important synthetic fiber in application and production. Global demand for polyester fiber is still quite strong, and the average annual demand growth rate is maintained at 5% approximately. Although Taiwan is difficult to compete with manufacturers from emerging developing countries such as China and India at the price of general specification products, Taiwan's production capacity and quality differentiate products from China and other emerging countries, so domestic players still have opportunities for development and survival, and R&D is still the focus of future strengthening. In response to the COVID-19, we will develop the market for mask earband yarns, with a 70% share.

4. The advantages/disadvantages of competition and development vision with actions

(1) Advantages:

- ◆ The development of Taiwan's man-made fiber industry is dominated by synthetic fibers. Among them, polyester fiber products have the largest production capacity, stable output and quality. After fully supplying domestic demand, Taiwan texture industry begins to strengthen export markets, including Mainland China, Southeast Asia, the Middle East, etc., which are the main target markets. The demand for high-quality and differentiated man-made fibers from emerging countries gives Taiwan industry a favorable opportunity.
- ◆ Polyester fiber has a high probability of success in R&D and upgrading, and Taiwan's differentiated product production in recent years has been quite effective. At the same time, the company is also committed to the R&D of high-tech textiles. Taiwan texture industry have an excellent status in the world with products and technical capabilities, and have the ability to transfer technology. The core competency to diversify various products with mass production.
- ◆ The differentiation rate of polyester textured yarn in Taiwan is relatively high, and Taiwan is one of the world's major exporting countries. The production technology is proficient, and the quality of conventional products has certain advantages. Therefore, the company with competitive advantages has become one beneficiary of Taiwanese enterprises which expand their business overseas after trade liberalization.
- ◆ The world's demand for environment friendly and energy saving products has gradually increased. It has also opened up the development of polyester fiber in the field of environmental protection and energy saving, and the company continues to invest in the design of a CRZ recycling process.

(2) Disadvantages:

- ◆ Insufficient grassroots labor, as well as the amendments to the Labor Standards Law and the restriction on overtime hours. Many local workers are unwilling to work in shifts and result in an imbalance between supply and demand.
- ◆ Some downstream dyeing and finishing plants are closed or moved to low age countries such as Mainland China or Southeast Asia, which greatly reduce the production chain of the textile industry and affects the development of upstream polyester and textured yarn.
- ◆ The FTA agreement between South Korea and other countries will impact the company's export market.
- ◆ Under the global trend of regional integration, Taiwan's absence to participate RECP has seriously affected the competitiveness of Taiwan textile industry in the international market.

(3) Actions:

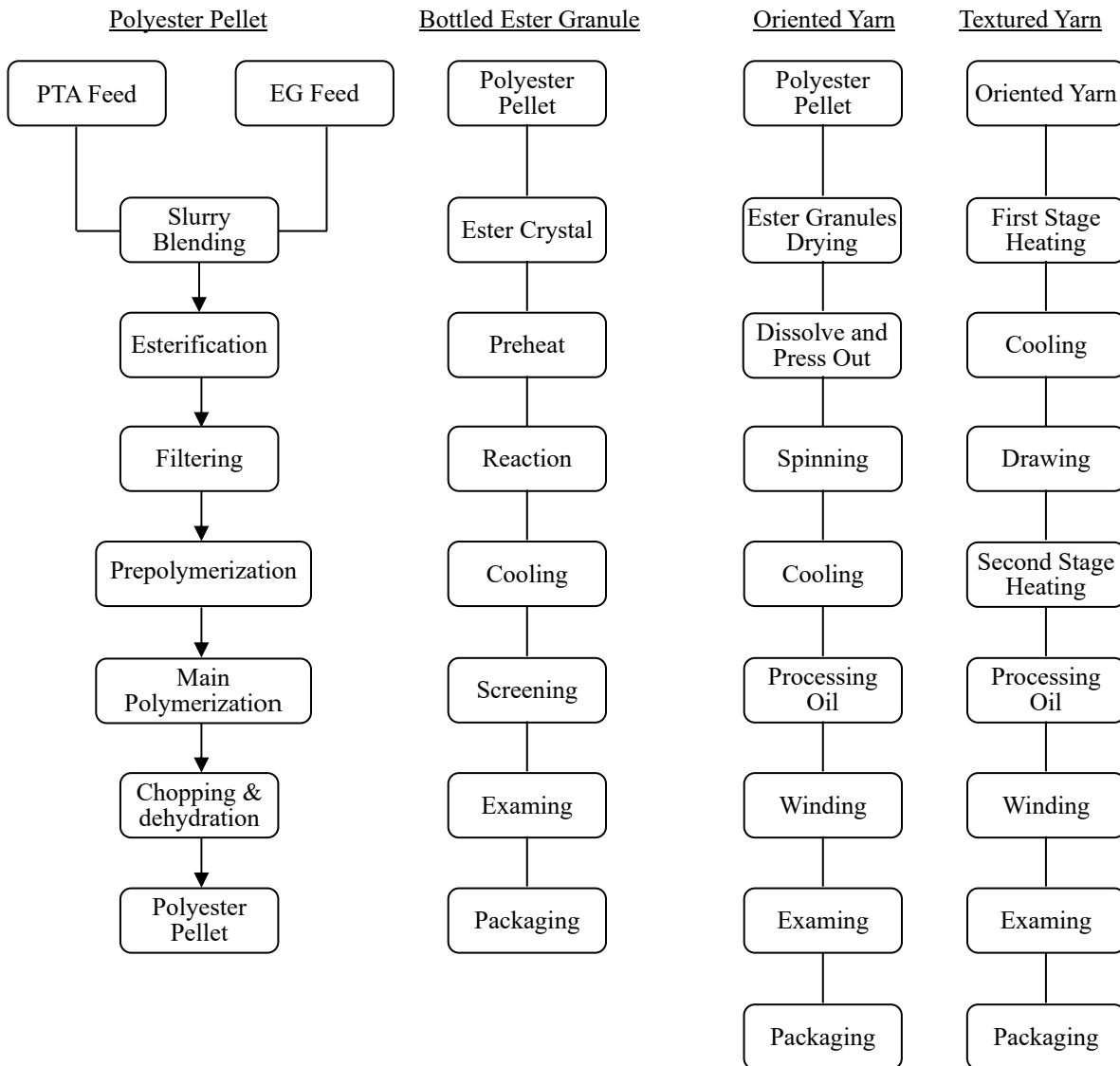
In response to the shortage of basic labor, the government's foreign worker policy should be reviewed and adjusted per industry categories. The company internally deploys organizational reengineering, breaks organizational structure between units, expands automation and labor saving equipment to resolve labor shortages. As for relocation of downstream industries and low price competition, besides continuous improvement of production processes and equipment replacement to improve production quality and efficiency, and reduce manufacturing costs, textile industry technology and R&D capabilities should be enhanced and the strategic alliance should be promoted. To assist the implementation of internationally division of labour and production, and sales plan, strengthen overseas market management and management capabilities, cultivate the textile industry's global production and sales capabilities in the era of knowledge-based economy. Through the operation mode of Productivity 4.0, and the automation of Industry 4.0, the transformation and upgrade of industrial competitiveness, Taiwan has become a global logistics center for the textile industry.

## 2.2 Important usage and production process of main products

### 1. Important usage of main products

The polyester pellets, polyester yarns and polyester textured yarns produced by our company are used in downstream plain-woven trousers, clothing materials, upholstery fabrics and industrial fabrics. The bottled ester granule products are mainly used for blowing bottles in beverage and food factories, as packaging bottles for mineral water, packaged drinking water, fruit juice, tea beverages, carbonated beverages, edible oil, cosmetics and cleaning products, etc., and can also be squeezed to a PET sheet, and supply all kinds of packaging materials for food, toys, electrical appliances, spare parts, hand tools and home furnishings.

2. Production process



2.3 Supply of main row materials

The main raw materials are Terephthalic Acid (PTA) and Ethylene Glycol (EG), and the domestic supply is sufficient.

1. Terephthalic Acid (PTA)

Taiwan's domestic PTA manufacturers include CAPCO, OPTC, and Formosa Chemicals & Fibre. Since Taiwan's polyester fiber industry is in stable demand, domestic PTA production is oversupply and it is necessary to find a proper timing for export; the company and OPTC have a long term cooperation; thus, the source of raw material is stable.

2. Ethylene Glycol (EG)

Taiwan's domestic manufacturers of EG include China Man-made Fiber, Oriented Union Chemical and Nan Ya Plastics. The total production capacity in Taiwan is oversupply and some of the output is exported. The company currently maintains cooperation with various factories to maintain a stable supply of goods.



**2.4 The names of customers who accounted for more than 10% of the total purchases (sales) in any of the most recent two years and their purchases (sales) amount and proportion**

1. Purchase

Unit: In Thousands of New Taiwan Dollars

Item	2019				2020				2021 as of the last quarter			
	Name	Amount	Proportion in FY Net Purchase (%)	Relationship	Name	Amount	Proportion in FY Net Purchase (%)	Relationship	Name	Amount	Proportion in FY Net Purchase (%)	Relationship
1	OPTC	3,377,378	44	None	OPTC	2,170,327	44	None	OPTC	614,091	44	None
2	Others	4,318,806	56		Li Peng	587,862	12	Subsidiary Business	OUCC	164,673	12	None
3					Others	2,166,434	44		Others	614,081	44	
4												
	Net Purchase	7,696,184	100		Net Purchase	4,924,623	100		Net Purchase	1,392,845	100	

Remarks: List the names of suppliers with more than 10% of the total purchases in the last two years and the purchase amounts and proportions. However, the names of the suppliers that cannot be disclosed due to the purchase agreement or the counterparties of transactions are individuals and non-related parties can be coded.

Description of changes: Manufacturers whose purchase is more than 10% of the total purchase are all the company's raw material manufacturers. As the downstream customers have various usages with their products, it affects the company's demand for raw materials.

2. Sales : Customers are scattered in sales, which is no concentration. Therefore, there are no customers who account for more than 10% of total sales in the last two years and the first quarter of 2021.

## Operational Highlights

### 2.5 Production in the most recent two years

Unit: Quantity-In Tons/Thousands Yards; Value-In Thousands of New Taiwan Dollars

Production Quantity Main Product	Year	2019			2020		
		Capacity	Output	Output Value	Capacity	Output	Output Value
Textured Yarn		123,019	95,559	5,482,075	111,094	69,402	3,436,009
Polyester Textured Yarn		87,315	75,269	2,965,959	81,272	62,531	2,056,463
Polyester Pellet		212,760	194,737	5,561,784	201,960	180,606	3,640,772
Bottled Ester Pellet		90,000	67,556	1,938,302	72,000	70,784	1,430,238
Filamont Fabric		66,504	27,106	979,106	67,204	20,856	795,301
Total		-	-	16,927,226	-	-	11,358,783

Remarks: Other products are for trade business; thus, they are disclosed on above table.

### 2.6 Sales in the most recent two years

Unit: Quantity-In Tons/Thousands Yards; Value-In Thousands of New Taiwan Dollars

Sales Quantity Main product	Year	2019				2020			
		Domestic Sales		Export		Domestic Sales		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Textured Yarn		63,340	3,856,366	29,046	2,097,647	49,504	2,604,861	21,425	1,345,491
Polyester Textured Yarn		5,573	200,966	1,431	90,739	4,351	122,133	1,033	72,852
Polyester Pellet		24,170	841,744	27,325	860,447	14,969	353,115	36,737	795,474
Bottled Ester Pellet		37,901	1,165,338	30,569	973,720	47,830	1,081,600	26,084	610,695
Filamont Fabric		7,146	127,628	18,064	662,000	2,761	40,091	16,382	621,661
Coal		323,322	842,509	-	-	242,648	521,823	-	-
Others		-	286,699	-	2,332	-	200,348	-	3,465
Total		-	7,321,250	-	4,686,885	-	4,923,971	-	3,449,638

Remarks: The sales of other products is diversitized; thus, the quantity is not disclosed.

### 3. Employee

Year		2019	2020	Current Year as of March 31, 2021
Employee Headcount	Staff	265	276	269
	Technician	208	211	208
	General Worker	1,260	1,171	1,160
	Total	1,733	1,658	1,637
Average Age		37.20	37.77	37.98
Average Year of Service		10.28	10.09	10.32
Distribution Ratio of Education Degree	Doctor	0%	0%	0%
	Master	1.38%	1.03%	1.04%
	Bachelor	25.16%	26.90%	26.88%
	Senior High	43.74%	45.11%	45.21%
	Below Senior High	29.72%	26.96%	26.87%

### 4. Environmental Protection Expenditure

**4.1 Losses due to environmental pollution in the most recent year and up to the publication date of the annual report (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the punishment document number, the violation of laws and regulations, the content of violations, and the content of punishment should be listed)**

None

**4.2 Estimated amount and action that may occur at present and in the future**

None

### 5. Labor Relationship

The company focuses on employee welfare, growth, training and cultivation.

Harmony between labor and management is one of the factors for the success of business operations. In recent years, due to the evolution of domestic economic development, the industry is encountering the challenge of structural transformation, which particularly highlights the importance of how both labor and management perceive the problem enterprise is facing. Since the establishment of the company, the labor relation had been good, and labor and management have firmed consensus, so no labor disputes have occurred.

Employee Welfare:

#### 5.1 Employee benefits

(1)Labor Insurance (2)National Health Insurance (3)Marriage & funeral subsidy (4)Employee health check (5)Annual Bonus (6)Dividend and stock options

#### 5.2 Employee Welfare Committee benefit programs

(1)Small get-together (2)Marriage & funeral subsidy (3) Scholarship and bursary (4)Club activity (5)Travel allowance (6)Year end party (7)Birthday gift (8)Season gift (9)Year end lottery (10)Book and magazine (11)Group insurance (12)Big cultural and recreational activity (13) Scholarship and bursary for employee's children

### 5.3 Employee study and training

In order to improve the quality of manpower, employees of different ranks and different business functions are required to further study according to their needs, so as to enhance their domain knowledge and skills, thereby enhancing their competitiveness within and outside the company and giving full play to their strengths. There on-job-training programs and the training programs are implemented as follows:

1. Short-term training: Be assigned or apply for permission to receive training in various training centers, consulting companies, associations, etc. The education and training courses assigned by the company in 2020 include: external training focuses on domain knowledge and skill certification, including "Annual Operation Plan, Budget Preparation and Audit Practice Seminar", "How to Prevent Major Financial Fraud", "International Financial Reporting Standards", "Strategic Practices for Realizing the Value of Corporate Mergers and Acquisitions", "Expatriate Policy and Practical Operation", "Corporate Law Amendment to Employee Remuneration System Practice"... etc. courses to train basic cadres and obtain professional certificates. Internal training focuses on environmental protection, such as "GRS Global Recycling Standards", "Hazard Assessment" and "Hazard Identification" for employee safety, and "Respiratory Protection" for employee health.
2. Long-term training: The company specially arranges professional training for internal and external lecturers, and the cost is borne by the company. At the same time, it cooperates with the Youth Pilot Program to implement the Youth Education and Employment Savings Account Program.
3. Training Abroad: Handling customer complaints, receiving orders, or applications by project task are allowed to go abroad for business purpose, and the training costs abroad are borne by the company.
4. Assigned Trainee (according to government regulations): The training courses assigned by the company in 2020 include: "First Aid Staff Training", "Sewage Control Personnel", "Fixed Crane Operators ", "Personnel Operating Hanging Function with Crane Equipment", "Radiation Equipment Operation" Personnel"...etc. °
5. Special Training (project training required for business): The training courses assigned by the company in 2020 include: "Operation of Coal-fired Boiler", "Overhead Crane Maintenance", "Safety of Stacker Operation", "Warehouse Operations", "Raw and Auxiliary Material Tanker Filling Operations", "Chromatics and Comparison Standard of Colored Yarn", "Standard of Dyeing and Judgment Operation", "New Fiber, Textile and High-tech Material Application", "Ester Granule Returning and Packaging Operation"... etc.

### 5.4 Retirement

1. The company formulates retirement policies in accordance with the relevant regulations of the Labor Standards Law, and has established a "Labor Retirement Reserve Supervision Committee" to regularly monitor the allocation of retirement reserves and is responsible for the review of retirement applications.
2. Since July 1, 2005, we have cooperated with the government to implement the Labor Pension Regulations (hereinafter referred to as the new retirement system. For employees who choose the new retirement system, the company does make a monthly contribution to the special pension account of the Labor Insurance Bureau according to the regulations.

### 5.5 So far, no labor disputes have occurred in our company.

## 6. Important Contracts

Contact Nature	Contracting Party	Contract Period	Main Content	Restrictive Covenant
Long-term Loan Contract	Chang Hwa Commercial Bank	2017.08.15 ∩ 2022.08.15	Credit loans with a total amount of NT\$ 800 million. Interest is paid monthly. The first installment will be repaid from November 15, 2019. Afterwards, the principal will be amortized evenly in 12 installments every 3 months.	None
Long-term Loan Contract	Bank of Taiwan	2017.08.15 ∩ 2022.06.14	Credit loans with a total amount of NT\$500 million. The loan will be allocated once or in installments within two years after the contract signed up. The interest will be paid on a monthly basis. The first installment will be paid from December 14, 2019. There will be one installment every 6 months thereafter for a total of 6 installments, the first 5 installments will be paid with NT\$80 million each, and the sixth installment will be paid with NT\$100 million.	None
Long-term Loan Contract	The Export-Import Bank of the Republic of China	2017.09.15 ∩ 2022.09.15	Credit loans with a total amount of NT\$600 million, 5 years from the date of first move, every 21st day of 3 months is the interest payment date, the first installment will be paid from 2019.03.15, and then there will be 1 installment every 6 months will be a total of 5 years. The principal is amortized evenly in 8 installments.	None
Long-term Loan Contract	The Export-Import Bank of the Republic of China	2021.03.08 ∩ 2026.03.08	Credit loans with a total amount of NT\$400 million, 5 years from the date of first move, every 21st day of 3 months is the interest payment date, the first installment will be paid from 2022.09.08, and then there will be 1 installment every 6 months will be a total of 5 years. The principal is amortized evenly in 8 installments.	None

## VI. Financial Information

### 1. Balance Sheets and Consolidate Income Sheets for the past Five Years

#### 1.1 Condensed Balance Sheets and Composite Income Sheets - International Financial Reporting Standards (Consolidated Financial Report)

##### Condensed Balance Sheet

Unit: In Thousands of New Taiwan Dollars

Year (remarks 1)		2016	2017	2018	2019	2020	Financial Data of Current Year as of March 31, 2021 (remark 2)
Item							
Current Assets		8,281,264	5,949,060	6,269,303	5,458,235	5,051,768	5,216,189
Property, Plant and Equipment (remarks 3)		6,287,912	6,899,764	7,470,922	7,490,669	7,011,274	6,830,392
Intangible Assets		4,316	3,161	3,182	1,744	1,865	2,170
Other Assets		4,809,226	5,743,217	5,284,573	5,057,875	5,333,839	5,293,117
Total Assets		19,382,718	18,595,202	19,027,980	18,008,523	17,398,746	17,341,868
Current Liabilities	Before Distribution	7,350,588	5,048,995	4,511,174	4,542,917	4,895,337	4,895,958
	After Distribution	7,350,588	5,535,759	4,895,478	4,547,083	remarks 4	-
Non-current Liabilities		503,241	1,409,838	2,709,827	2,178,896	1,026,932	1,046,562
Total Liabilities	Before Distribution	7,853,829	6,458,833	7,221,001	6,721,813	5,922,269	5,942,520
	After Distribution	7,853,829	6,945,597	7,605,305	6,725,979	remarks 4	-
Equity Attributed to Stockholders of the Company		10,728,759	10,978,908	10,667,126	10,261,075	10,257,920	10,207,770
Capital Stock		9,573,029	9,573,029	9,573,029	9,573,029	9,573,029	9,573,029
Capital Surplus		77,848	72,312	76,303	83,024	78,422	77,324
Retained Surplus	Before Distribution	1,081,963	1,058,262	991,267	631,641	311,972	389,775
	After Distribution	1,081,963	579,611	608,346	631,641	remarks 4	-
Other Equity		24,389	303,775	54,997	1,851	322,967	196,112
Treasury Stock		(28,470)	(28,470)	(28,470)	(28,470)	(28,470)	(28,470)
Non-controlling Interests		800,130	1,157,461	1,139,853	1,025,635	1,218,557	1,191,578
Total Equity	Before Distribution	11,528,889	12,136,369	11,806,979	11,286,710	11,476,477	11,399,348
	After Distribution	11,528,889	11,649,605	11,422,675	11,282,544	remarks 4	-

Remarks 1: The financial information of each year listed above has been verified by the CPAS.

Remarks 2: The financial information as of March 31, 2021 has been reviewed by the accountants.

Remarks 3: The company conducted asset revaluation in 1988 and 2011, and the total revaluation value increasing was NT\$25,047,000 and NT\$329,503,000 respectively.

Remarks 4: 2020 Statements of Deficit Compensated has not been approved by the Shareholders' Meeting.

## Condensed Income Statement

Unit: In Thousands of New Taiwan Dollars  
(Exclude Earnings per Share)

Year (remarks 1) Item	2016	2017	2018	2019	2020	Financial Data of Current Year as of March 31, 2021
Operating Income	9,612,742	11,104,529	12,882,065	12,008,135	8,373,609	2,202,304
Gross Profit	695,180	816,631	906,842	803,072	377,884	275,541
Operating Income (Loss)	120,282	101,516	181,757	103,717	(250,160)	61,408
Non-operating Income and Expenses	(33,846)	(119,494)	306,870	(101,306)	(209,535)	28,868
Profit Before Tax	86,436	(17,978)	488,627	2,411	(459,695)	90,276
Income from Continuing Operation	69,547	(47,988)	369,216	(63,418)	(424,828)	72,192
Loss from Discontinued Operation	0	0	0	0	0	0
Net Income (Loss)	69,547	(47,988)	369,216	(63,418)	(424,828)	72,192
Other Comprehensive Income (Net After Tax)	(151,693)	276,249	(289,343)	(77,084)	359,377	(148,185)
Total Comprehensive Income.	(82,146)	228,261	79,873	(140,502)	(65,451)	(75,993)
Net Profit Attributed to Stockholders of the Company	62,804	(12,936)	415,591	52,588	(357,444)	77,573
Net Profit Attributed to Non-controlling Interest	6,743	(35,052)	(46,375)	(116,006)	(67,384)	(5,381)
Operating Income (Loss) Attributed to Stockholders of the Company	(80,082)	255,685	154,100	(29,671)	1,447	(49,052)
Operating Income (Loss) Attributed to Non- controlling Interests	(2,064)	(27,424)	(74,227)	(110,831)	(66,898)	(26,941)
Earning per Share (remarks 3)	0.07	(0.01)	0.44	0.06	(0.38)	0.08

Remarks 1: The financial information of each year listed above has been verified by the CPAS.

Remarks 2: The financial information as of March 31, 2021 has been reviewed by the accountants.

Remarks 3: The calculation of Earnings per Share above is adjusted retrospectively.

**1.2 Condensed Balance Sheets and Composite Income Sheets - International Financial Reporting Standards  
(Individual Financial Report)**
**Condensed Balance Sheet**

Unit: In Thousands of New Taiwan Dollars

Year (remarks 1)		2016	2017	2018	2019	2020
		2016	2017	2018	2019	2020
Item						
Current Assets		7,513,198	5,053,498	5,378,967	4,836,038	4,413,653
Property, Plant and Equipment (remarks 2)		6,284,454	5,940,830	5,385,806	5,304,595	4,933,893
Intangible Assets		3,871	2,936	3,111	1,672	1,599
Other Assets		4,827,252	6,083,757	5,721,938	5,529,431	6,336,791
Total Assets		18,628,775	17,081,021	16,489,822	15,671,736	15,685,936
Current Liabilities	Before Distribution	7,397,244	4,776,659	3,994,740	3,994,562	4,503,126
	After Distribution	7,397,244	5,255,310	4,377,661	3,994,562	remarks 3
Non-current Liabilities		502,772	1,325,454	1,827,956	1,416,099	924,890
Total Liabilities	Before Distribution	7,900,016	6,102,113	5,822,696	5,410,661	5,428,016
	After Distribution	7,900,016	6,580,764	6,205,617	5,410,661	remarks 3
Equity Attributed to Stockholders of the Company		10,728,759	10,978,908	10,667,126	10,261,075	10,257,920
Capital Stock		9,573,029	9,573,029	9,573,029	9,573,029	9,573,029
Capital Surplus		77,848	72,312	76,303	83,024	78,422
Retained Surplus	Before Distribution	1,081,963	1,058,262	991,267	631,641	311,972
	After Distribution	1,081,963	579,611	608,346	631,641	remarks 3
Other Equity		24,389	303,775	54,997	1,851	322,967
Treasury Stock		(28,470)	(28,470)	(28,470)	(28,470)	(28,470)
Non-controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	10,728,759	10,978,908	10,667,126	10,261,075	10,257,920
	After Distribution	10,728,759	10,500,257	10,284,205	10,261,075	remarks 3

Remarks 1: The financial information of each year listed above has been verified by the CPAS.

Remarks 2: The company conducted asset revaluation in 1988 and 2011, and the total revaluation value increasing was NT\$25,047,000 and NT\$329,503,000 respectively.

Remarks 3: 2020 Statements of Deficit Compensated has not been approved by the Shareholders' Meeting.



**Condensed Income Statement**

Unit: In Thousands of New Taiwan Dollars  
(Exclude Earnings per Share)

Item \ Year (remarks 1)	2016	2017	2018	2019	2020
Operating Income	9,216,539	10,117,651	11,694,247	10,554,982	7,322,391
Gross Profit	571,215	701,247	843,974	787,654	301,076
Operating Income (Loss)	140,132	212,782	337,075	291,977	(156,488)
Non-operating Income and Expenses	(62,765)	(231,691)	180,138	(195,873)	(252,705)
Profit Before Tax	77,367	(18,909)	517,213	96,104	(409,193)
Income from Continuing Operation	62,804	(12,936)	415,591	52,588	(357,444)
Loss from Discontinued Operation	0	0	0	0	0
Net Income (Loss)	62,804	(12,936)	415,591	52,588	(357,444)
Other Comprehensive Income (Net After Tax)	(142,886)	268,621	(261,491)	(82,259)	358,891
Total Comprehensive Income.	(80,082)	255,685	154,100	(29,671)	1,447
Earning per Share (remarks 2)	0.07	(0.01)	0.44	0.06	(0.38)

Remarks 1: The financial information of each year listed above has been verified by the CPAS.

Remarks 2: The calculation of Earnings per Share above is adjusted retrospectively.

**1.3 Certified Public Accountants' Names and Opinions in the past Five Years**

Year	2016	2017	2018	2019	2020
Certified Public Accountant	Yu, Hung-bin	Yu, Hung-bin	Wu, Ke-chang	Wu, Ke-chang	Chiu, Ming-yu
	Chiu, Ming-yu	Chiu, Ming-yu	Chiu, Ming-yu	Chiu, Ming-yu	Wu, Ke-chang
Audit Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

**2. Financial Analysis for the past Five Years**
**2.1 Financial Analysis-International Financial Reporting Standards (Consolidated Financial Report)**

		Year (remarks 1)					Financial Data of Current Year as of March 31, 2021 (remarks 2)
		2016	2017	2018	2019	2020	
Item (remarks 3)							
Financial Structure (%)	Debts Ratio	40.51	34.73	37.94	37.32	34.03	34.26
	Ratio of liabilities to assets	191.35	196.32	194.31	179.76	178.33	182.21
Solvency (%)	Current Ratio	112.66	117.82	138.97	120.14	103.19	106.54
	Quick Ratio	84.05	68.39	73.40	63.49	59.08	59.41
	Times Interest Earned Ratio	2.56	0.73	6.73	1.02	(6.69)	10.90
Operating Ability	Account Receivable Turnover (times)	9.61	8.75	8.80	9.00	8.84	11.00
	Days Sales in Account Receivable	37.98	41.71	41.47	40.55	41.28	33.18
	Inventory Turnover (times)	4.93	4.70	4.58	4.22	3.52	3.60
	Account Payable Turnover (times)	11.29	9.68	11.03	14.56	13.51	12.84
	Average Days in Sales	74.03	77.65	79.69	86.49	103.69	101.39
	Fixed Property and Equipment Turnover (times)	1.49	1.68	1.77	1.59	1.15	1.24
	Total Assets Turnover (times)	0.51	0.58	0.68	0.64	0.47	0.48
Profitability	Ratio or Return on Total Assets(%)	0.61	0.04	2.32	0.05	(2.12)	0.45
	Ratio or Return on Equity (%)	0.58	(0.40)	3.08	(0.54)	(3.73)	0.63
	Profit Before Tax & Interest Actual Capital Ratio (%)	0.90	(0.18)	5.10	0.02	(4.80)	0.94
	Profit Ratio (%)	0.72	(0.43)	2.86	(0.52)	(5.07)	3.27
	Earnings per Share (NT\$) (remarks 4)	0.07	(0.01)	0.44	0.06	(0.38)	0.08
Cash Flow (remarks 5)	Cash Flow Ratio (%)	-	27.96	3.37	24.26	15.18	(2.25)
	Cash Flow Adequacy Ratio (%)	103.15	63.97	51.37	52.51	49.83	48.20
	Cash Reinvestment Ratio (%)	-	5.77	-	2.88	3.05	(0.45)
Balance	Operation Balance	12.77	18.61	11.57	23.28	(7.89)	6.40
	Finance Balance	1.85	2.95	1.88	9.11	0.81	1.17

Explanation that the financial ratio changes of more than 20% in the most recent two years:

1. The reduction in Times Interest Earn Ratio is mainly due to the decline in profitability in 2020.
2. The decrease in the Fixed Property and Equipment Turnover and the turnover rate of Total Assets was mainly due to the significant decrease in operating income in 2020 compared with 2019.
3. The Profitability decline in 2020 is mainly due to a decrease of NT\$430 million in Operating Gross Profit in 2020 compared with 2019, plus an increase of NT\$210 million in Net Foreign Currency Exchange losses in 2020 compared to 2019 losses.
4. The decline in the cash flow ratio was mainly due to the decrease in net cash inflow from operating activities in 2020 compared to 2019.
5. The increase in degrees of operating and financial leverages is mainly due to the increase in operating losses in 2020.

Remarks 1: The financial information of each year listed above has been verified by the CPAS.

Remarks 2: The financial information as of March 31, 2021 has been reviewed by the accountants.

Remarks 3: At the end of this table in the annual report, the following calculation formula should be listed:

1. Financial Structure
  - (1) Debts Ratio= $\text{Total Liabilities}/\text{Total Assets}$
  - (2) Debt of Long Fund to Bank Property and Equipment= $(\text{Total Equity}+\text{Non-current Liabilities})/\text{Property and Equipment}$
2. Solvency
  - (1) Current Ratio= $\text{Current Assets}/\text{Current Liabilities}$
  - (2) Quick Ratio= $(\text{Current Assets}-\text{Inventory}-\text{Prepaid Expense})/\text{Current Liabilities}$
  - (3) Times Interest Earned Ratio= $\text{Net Income Before Tax and Interest Expense}/\text{Interest Expense}$
3. Operating Ability
  - (1) Account Receivable Turnover (including Accounts Receivable and Notes Receivable resulted from business operation)= $\text{Net Sales}/\text{Average Balance of Account Receivable (including accounts receivable and Notes Receivable resulted from business operation)}$
  - (2) Days Sales in Account Receivable= $365/\text{Account Receivable Turnover}$
  - (3) Inventory Turnover= $\text{Cost of Goods Sold}/\text{Average Inventory}$
  - (4) Account Payable Turnover (including Accounts Payable and Notes Payable resulted from business operation)= $\text{Operating Costs}/\text{Average Balance of Account Payable (including Accounts Payable and Notes Payable resulted from business operation)}$
  - (5) Average Days in Sales= $365/\text{Inventory Turnover}$
  - (6) Fixed Property and Equipment Turnover= $\text{Net Sales}/\text{Net Fixed Assets}$
  - (7) Total Assets Turnover= $\text{Net Sales}/\text{Average Total Assets}$
4. Profitability
  - (1) Ratio or Return on Total Assets= $[\text{Net Income}+\text{Interest Expense}*(1-\text{Tax Rate})]/\text{Average Total Assets}$
  - (3) Profit Ratio= $\text{Net Income}/\text{Net Sales}$
  - (4) Earnings per share= $(\text{Income (Loss) Attributed to Stockholders of the Company net Income-Preferred Stock Dividend})/\text{Weighted Average Stock Shares Issued}$
5. Cash Flow (remarks 5)
  - (1) Cash Flow Ratio= $\text{Net Cash Flow from Operating Activity}/\text{Current Liabilities}$
  - (2) Cash Flow Adequacy Ratio= $(\text{Net Cash Flow from operating activities within five year}/(\text{Capital Expenditure} + \text{Inventory increase} + \text{Cash Dividend}) \text{ within five year}$
  - (3) Cash Reinvestment Ratio= $(\text{Net Cash Flow from operating activity} - \text{Cash Dividend})/(\text{Total Fixed Assets}+\text{Long-term Investment}+\text{Other Assets}+\text{Working Capital})$
6. Balance
  - (1) Operation Balance= $(\text{Net Operating Income}-\text{Operating Variable Cost and Expense})/\text{Operating Income}$
  - (2) Financial Balance= $\text{Operating Income}/(\text{Operating Income}-\text{Interest Expense})$

Remarks 4: The formula for calculating the earnings per share on the open, has noted the following items when measuring:

1. It is based on the weighted average number of Ordinary Shares, not based on the number of issued shares at the end of the year.
2. For those who have Cash Capital increase or Treasury Stock trading, the weighted average number of shares should be calculated considering the period of circulation.
3. Where there is a Capital increase from Surplus or a Capital increase from Capital Reserves, when calculating the Earnings per Share for previous years and half-years, retrospective adjustments should be made according to the Capital Increase Ratio, regardless of the period of the Capital increase.
4. If the Preferred shares are Non-convertible Cumulative Preferred shares, the Dividends for the current year (whether paid or not) should be deducted from the Net Profit After Tax, or Net Loss After Tax increased. If the Preferred shares is non-cumulative, in the case of Net Profit After Tax, the Dividend of the Preferred shares shall be deducted from the Net Profit After Tax; if it is a loss, no adjustment is necessary.

Remarks 5: Following items should be noted when measuring cash flow analysis:

1. Net Cash Flow from operating activities refers to the Cash provided by operating activities. in the Cash Flow Statement.
2. Capital Expenditure refers to the annual Cash used in Capital Investment.
3. The increase in Inventory is only included when the closing balance is greater than the opening balance. If the Inventory decreases at the end of the year, it will be calculated as zero.
4. Cash Dividends include Cash Dividends on Ordinary shares and Preferred shares.
5. Gross Value of Property, Plant and Equipment refers to the total amount of Property, Plant and Equipment before deduction of Accumulated Depreciation.

Remarks 6: The merged company has divided various operating costs and operating expenses into fixed and variable based on their nature.

**2.2 Financial Analysis-International Financial Reporting Standards (Individual Financial Report)**

Item (remarks 2)		Year (remarks 1)				
		2016	2017	2018	2019	2020
Financial Structure (%)	Debts Ratio	42.40	35.72	35.31	34.52	34.6
	Ratio of liabilities to assets	178.71	207.11	232.00	220.13	226.65
Solvency (%)	Current Ratio	101.56	105.79	134.65	121.06	98.01
	Quick Ratio	76.89	62.25	77.44	71.60	62.75
	Times Interest Earned Ratio	2.38	0.70	11.67	2.95	(9.23)
Operating Ability	Account Receivable Turnover (times)	9.67	8.80	8.68	8.76	9.16
	Days Sales in Account Receivable	37.74	41.47	42.05	41.66	39.84
	Inventory Turnover (times)	5.36	5.04	5.14	4.72	4.08
	Account Payable Turnover (times)	11.36	9.54	10.81	14.34	15.65
	Average Days in Sales	68.09	72.42	71.01	77.33	89.46
	Fixed Property and Equipment Turnover (times)	1.43	1.65	2.04	1.96	1.43
	Total Assets Turnover (times)	0.51	0.56	0.69	0.65	0.46
Profitability	Ratio or Return on Total Assets(%)	0.60	0.22	2.70	0.57	(2.07)
	Ratio or Return on Equity (%)	0.57	(0.11)	3.83	0.50	(3.48)
	Profit Before Tax & Interest Actual Capital Ratio (%)	0.80	(0.19)	5.40	1.00	(4.27)
	Profit Ratio (%)	0.68	(0.12)	3.55	0.49	(4.88)
	Earnings per Share (NT\$) (remarks 4)	0.07	(0.01)	0.44	0.06	(0.38)
Cash Flow (remarks 5)	Cash Flow Ratio (%)	-	37.67	15.76	31.66	17.85
	Cash Flow Adequacy Ratio (%)	109.77	75.64	79.01	82.20	75.79
	Cash Reinvestment Ratio (%)	-	7.85	0.64	3.87	3.57
Balance	Operation Balance	8.46	5.38	4.27	6.23	(9.77)
	Finance Balance	1.66	1.44	1.17	1.20	0.80

Remarks 1: The financial information of each year listed above has been verified by the CPAS.

Remarks 2: At the end of this table in the annual report, the following calculation formula should be listed:

1. Financial Structure
  - (1) Debts Ratio=Total Liabilities/Total Assets
  - (2) Debt of Long Fund to Bank Property and Equipment=(Total Equity+Non-current Liabilities)/Property and Equipment
2. Solvency
  - (1) Current Ratio=Current Assets/Current Liabilities
  - (2) Quick Ratio=(Current Assets-Inventory-Prepaid Expense)/Current Liabilities
  - (3) Times Interest Earned Ratio=Net Income Before Tax and Interest Expense/Interest Expense
3. Operating Ability
  - (1) Account Receivable Turnover (including Accounts Receivable and Notes Receivable resulted from business operation)=Net Sales/Average Balance of Account Receivable (including accounts receivable and Notes Receivable resulted from business operation)
  - (2) Days Sales in Account Receivable=365/Account Receivable Turnover
  - (3) Inventory Turnover=Cost of Goods Sold/Average Inventory

- (4) Account Payable Turnover (including Accounts Payable and Notes Payable resulted from business operation) =  
Operating Costs/Average Balance of Account Payable (including Accounts Payable and Notes Payable resulted from business operation)
- (5) Average Days in Sales=365/Inventory Turnover
- (6) Fixed Property and Equipment Turnover=Net Sales/Net Fixed Assets
- (7) Total Assets Turnover=Net Sales/Average Total Assets
- 4. Profitability
  - (1) Ratio or Return on Total Assets=[Net Income+Interest Expense\*(1-Tax Rate)]/Average Total Assets
  - (3) Profit Ratio=Net Income/Net Sales
  - (4) Earnings per share=( Income (Loss) Attributed to Stockholders of the Company net Income-Preferred Stock Dividend)/Weighted Average Stock Shares Issued
- 5. Cash Flow (remarks 5)
  - (1) Cash Flow Ratio=Net Cash Flow from Operating Activity/Current Liabilities
  - (2) Cash Flow Adequacy Ratio=(Net Cash Flow from operating activities within five year/(Capital Expenditure+Inventory increase +Cash Dividend) within five year
  - (3) Cash Reinvestment Ratio=(Net Cash Flow from operating activity -Cash Dividend)/(Total Fixed Assets+Long-term Investment+Other Assets+Working Capital)
- 6. Balance
  - (1) Operation Balance=(Net Operating Income-Operating Variable Cost and Expense)/Operating Income
  - (2) Financial Balance= Operating Income/(Operating Income-Interest Expense)

Remarks 3: The formula for calculating the earnings per share on the open, has noted the following items when measuring:

- 1. It is based on the weighted average number of Ordinary Shares, not based on the number of issued shares at the end of the year.
- 2. For those who have Cash Capital increase or Treasury Stock trading, the weighted average number of shares should be calculated considering the period of circulation.
- 3. Where there is a Capital increase from Surplus or a Capital increase from Capital Reserves, when calculating the Earnings per Share for previous years and half-years, retrospective adjustments should be made according to the Capital Increase Ratio, regardless of the period of the Capital increase.
- 4. If the Preferred shares are Non-convertible Cumulative Preferred shares, the Dividends for the current year (whether paid or not) should be deducted from the Net Profit After Tax, or Net Loss After Tax increased. If the Preferred shares is non-cumulative, in the case of Net Profit After Tax, the Dividend of the Preferred shares shall be deducted from the Net Profit After Tax; if it is a loss, no adjustment is necessary.

Remarks 4: Following items should be noted when measuring cash flow analysis:

- 1. Net Cash Flow from operating activities refers to the Cash provided by operating activities. in the Cash Flow Statement.
- 2. Capital Expenditure refers to the annual Cash used in Capital Investment.
- 3. The increase in Inventory is only included when the closing balance is greater than the opening balance. If the Inventory decreases at the end of the year, it will be calculated as zero.
- 4. Cash Dividends include Cash Dividends on Ordinary shares and Preferred shares.
- 5. Gross Value of Property, Plant and Equipment refers to the total amount of Property, Plant and Equipment before deduction of Accumulated Depreciation.

Remarks 5: The company has divided various operating costs and operating expenses into fixed and variable based on their nature.

### 3. Audit Committee Review Report for the most recent year

#### Audit Committee's Audit Report

The company's 2020 financial statements prepared by the board of directors, completed the review and concluded the audit report by CPAs Chiu, Ming-Yu and Wu, Ke-Chang of Deloitte Touche Tohmatsu Limited, together with the business report and the motion of loss appropriation, the audit committee has reviewed that there are no discrepancies in accordance with Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act. Please verify.

Sincerely to

2021 Regular Shareholders' Meeting of the Company

LEALEA ENTERPRISE CO., LTD.

Convener of Audit Committee: LEE, DAW-MING

March 29, 2021

**4. Financial Reports in the Most Recent Year:** Please refer to p.80 – p.163

**5. Individual Financial Report of the Most Recent Year Audited by Certified Public Accountants:** Please refer to p.164 – p.236

**6. Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status, the Company and Its Affiliates Encounter:** None

## VII. Review and Analysis of Financial Status and Performance and Risk Management

### 1. Financial Status

Review and analysis on financial status

Unit: In Thousands of New Taiwan Dollars

Item \ Year	2019	2020	Deviation	
			Amount	%
Current Assets	5,458,235	5,051,768	(406,467)	(7)
Non-current Assets	12,550,288	12,346,978	(203,310)	(2)
Current Liabilities	4,542,917	4,895,337	352,420	8
Non-current Liabilities	2,178,896	1,026,932	(1,151,964)	(53)
Equity Attributed to Stockholders of the Company	10,261,075	10,257,920	(3,155)	0
Non-controlling Interests	1,025,635	1,218,557	192,922	19
2020 Non-current Liabilities was reduced to 2019 due to repay the Long-term Loan.				

### 2. Financial Performance

Comparative Analysis of Business Performance

Unit: In Thousands of New Taiwan Dollars

Item \ Year	2019	2020	Deviation	
			Amount	%
Net Operating Profit	12,008,135	8,373,609	(3,634,526)	(30)
Operating Cost	11,205,206	7,994,807	(3,210,399)	(29)
Elimination of Actual (Unrealised) Profits and Losses of Subsidiaries	143	(918)	(1,061)	(742)
Gross Profit	803,072	377,884	(425,188)	(53)
Operating Expenses	699,355	628,044	(71,311)	(10)
Operating Income (Loss)	103,717	(250,160)	(353,877)	(341)
Non-operating Income (Loss)	(101,306)	(209,535)	(108,229)	107
Profit (Loss) Before Tax	2,411	(459,695)	(462,106)	(19,167)

1. The key reasons for the significant changes in Operating Income, Operating Profit and Net Profit Before Tax in the last two years:

- (1) Decrease in Operating Income: Operating Income in 2020 decreased by NT\$3.63 billion compared with 2019. The price of main raw material PTA has fallen, the sales has declined due to the global pandemic of the COVID-19 and the Operating Income of each major product in 2020 will decrease compared with 2019.
- (2) Decrease in Net Operating Profit: Net Operating Profit decreased in 2020 compared with 2019, mainly due to a decrease of NT\$360,231,000 in Gross Profit of the Textile Department. The analysis of the Gross Profit of the Textile Department is listed in the following table:

Net Operating Profit	The changes in the early and late periods	Root Cause of Deviation			
		Price Variance	Cost Variance	Sales-mix Variance	Quantity Variance
	(360,231)	(1,855,928)	1,611,712	(46,501)	(69,514)
Explanation	The selling price dropped in 2020 was greater than the cost drop and the impact of the global pandemic of the COVID-19 has resulted in unfavorable price and quantity variances.				

(3) Decrease in Non-operating Income and Expenses: The main reason was that low price purchase benefits and other income increased by NT\$105 million in 2020 compared to 2019 revenue, but the Net Foreign Currency Exchange Loss increased by NT\$219 million, resulting in a decrease of NT\$108 million in Non-operating Income and Expenditure in 2020 compared to 2019.

2. The expected sales and other references, the possible impact on the company’s future financial business and the action plan:

The financial forecast for 2021 has not been publicized, so there is no plan to disclose the expected sales.

### 3. Cash Flow

#### 3.1 Review and Analysis on Cash Flow

Unit: In Thousands of New Taiwan Dollars

Cash Balances – Beginning of Periods	Net Cash Flows from FY Operating Activities	FY Cash Outflow	Amount of Cash Surplus (Insufficient)	Remedy for Insufficient Cash	
				Investment Plan	Financial Plan
1,401,355	743,469	2,327,175	1,232,398	141,702	1,273,047
Analysis on Cash Flow Changing: In 2020, it was mainly due to the purchase of equipment and repayment of long-term loans, which resulted in a cash outflow of NT\$2,327,175 thousand. The company increased short-term loans and borrowed from related parties to cover the shortage of funds.					

#### 3.2 Analysis of Cash Flow in the Coming Year

Unit: In Thousands of New Taiwan Dollars

Cash Balances – Beginning of Period (1)	Net Cash Flows from FY Operating Activities (2)	FY Cash Outflow (3)	Amount of Cash Surplus (Insufficient) (1)+(2)-(3)	Remedy for Insufficient Cash	
				Investment Plan	Financial Plan
1,232,398	506,832	924,453	814,777	-	-

4. The impact of major Capital Expenditures on financial operations in the most recent year: None

5. Reinvestment policy in the most recent year, the main reason for profit or loss, improvement plan and investment plan for the next year:

##### 5.1 Reinvestment policy for the most recent year:

In order to strengthen the financial structure and repay bank loans, the subsidiary PT.INDONESIA LIBOLON FIBER SYSTEM processed a Cash Capital increase of US\$30 million in June, 2020. The parent company-Lealea Company participated in the subscription with US\$21 million dollars based on the shareholding proportion.



**5.2 The main reason for the loss of reinvestment:**

PT. INDONESIA LIBOLON FIBER SYSTEM has begun normal operations in 2019, but it was impacted by the global pandemic of the COVID-19, so it is still at a loss in 2020.

**5.3 Improvement plan:**

Regarding the reinvestment business that is still in a state of loss, the company will continue to observe the operating profit model, and require effective cost control to improve the operating performance of subsidiary.

**5.4 Investment plan for the coming year:**

The company will carefully evaluate its investment plan from a long-term strategic perspective to fulfill future market and production capacity expansion needs, and continue to strengthen market competitiveness.

**6. Analysis and Assessment of Risk Issues**

**6.1 The impact of interest rate, exchange rate changes, and inflation on the company's profit/loss and future action plan**

Looking forward to the development of the COVID-19 in 2021, it will still affect global economic changes, and countries are still continuing easy money policies to boost the economy. Although the Bank of Taiwan has cut interest rates by one yard in March last year and the current interest rates have remained unchanged, the company still closely monitor the epidemic situation and the Central Bank's movement, with a view to planning for interest rate hedging in advance. As for the foreign exchange market, due to Taiwan's well-controlled epidemic and relatively active and stable economic activities, leading to the massive remittance of foreign capital and the return of Taiwanese business capital to investment, etc., it is estimated that the New Taiwan dollar will continue to appreciate this year. The company will pay close attention to the possible influence of the foreign exchange market and control the exchange rate risk in accordance with the actual US dollar revenue and expenditure in the future.

**6.2 Main reasons for profit/loss, and future actions for engaging high risk, high leverage investment, fund lending to others, endorsements and derivatives trading policies**

In recent years, the company and its subsidiaries have been prudent in financial management, and have not engaged in high-risk, high-leverage investments, and currently have no endorsement guarantee. Regarding capital loans to others and undertaking derivative product transactions, the company and its subsidiaries have formulated complete policies and internal control procedures, and regularly report to the board of directors on the status of capital loans and the profit and loss of derivative product transactions.

**6.3 Future R&D plans and estimated R&D expenses**

Future R&D plans:

1. Develop functional products that are in line with the trend.
2. Develop industrial plastic materials that meet the requirements of environmental protection and high performance.
3. Aiming at "0" waste discharge, actively invest in waste recycling technology and equipment.

Estimated R&D expenses:

Provide a higher proportion of funding based on revenue to accelerate research and development

Research Item	Estimated investment in research and development expenses (NT\$ Thousands)
Polymer Modified Polyester Pellets	15,000
Composite functional polyester fiber	15,000
Environmentally friendly recycling products	40,000
Special function Polyester Textured Yarn	22,000

**6.4 The impact of important local and foreign policy and legal changes on the company's financial business and action**

The financial business is implemented in accordance with relevant laws and regulations. Up to now, major local policies and legal changes have not had a significant impact on the financial business. In the future, relevant information will be timely caught up, and the necessary action will be developed to meet the company's operational needs.

**6.5 The impact of technological and industrial changes on the company's financial business and action**

Due to the fierce competition of traditional fiber, it has been difficult to make profit. The company's business needs to adjust the product structure year by year according to the plan to meet the changes in the industry. In order to uplift the added value of products, increasing profitability and corporate competitiveness, products are developed toward functional fibers that fulfills customer needs, combined with downstream design factories, with diversified specifications and extensive marketing channels. In order to improve production efficiency, the machines are gradually being replaced with new ones, and 4 to 8 special nylon false twisting machines will be added this year.

**6.6 The impact of corporate image change on crisis management and action**

We have always adhered to the principle of steadiness and integrity, and have cultivate the strength of the management team. There has been no major change in the good corporate image.

**6.7 Expected benefits, possible risks and resolutions of M&A: None**

**6.8 Expected benefits, possible risks and resolutions of expanding the plant: None**

**6.9 Risks and resolutions of purchase or sales concentration**

At present, local manufacturers of PTA raw materials include China American Petrochemical, Oriental Petrochemical (Taiwan), and Formosa Chemicals & Fibre. As the demand for the polyester fiber industry in Taiwan has been stabilized, the supply of PTA is still greater than the domestic demand, and the company and the domestic PTA supplier Oriental Petrochemical (Taiwan) maintains a long-term cooperative relationship, so it will not cause shortages.

**6.10 Impacts, risks and resolutions for the replacement of directors, supervisors or major shareholders holding more than 10% of the shares, or massive transfer of equity:**

No executive level personnel replacement of mass transfer of equity

**6.11 The impacts, risks and resolutions of the change of management rights on the company: None**

**6.12 For litigation or non-litigation cases, the company and its directors, supervisors, president, substantive persons in charge, major shareholders with more than 10% shareholding, and subordinate companies have been judged to final verdict or litigation still pending for the handling of the court, non-litigation or administrative litigation, which the outcome of may have a significant impact on shareholder equity or securities prices, the facts of the dispute, the amount of the subject matter, the start date of the litigation, the main parties involved in the litigation, and the handling status as of the printing date of the annual report shall be disclosed: No litigation, non-litigation or administrative disputes.**

**6.13 Information security risk assessment analysis and resolutions:**

In order to strengthen the management of information security, the company's rules and regulations stipulate information security related instruction as the guidelines for information security risk management. It regularly conducts off-site backup system and disaster recovery drill to ensure the completeness of information services, and maintain book keeping of software and hardware assets. Regular inventory check to ensure reasonable usage on software and hardware assets and the most appropriate performance. Regular review users' rationality of usage based on their authority, function, job responsibilities. Integrate the above practices to ensure the security and reliability of information operations, equipment and network systems.

**6.14 Other important risks and resolutions: None**

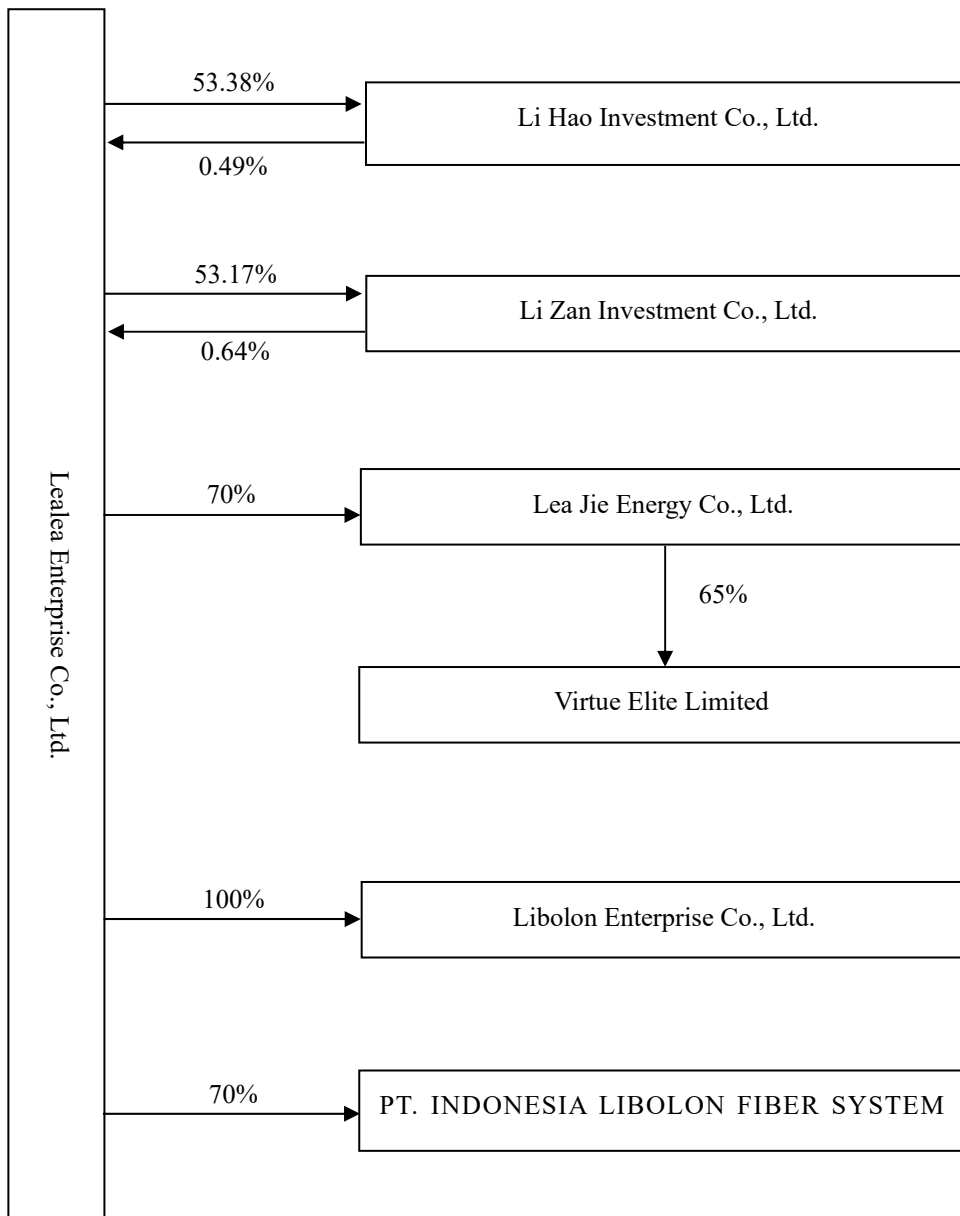
**7. Other Important Matters: None**

## VIII. Special Disclosure

### 1. Subsidiaries

#### 1.1 Subsidiaries' consolidated business reports

1. The organization chart of subsidiaries



## 2. The names, dates of establishment, addresses, Paid-in Capital and main business items of each subsidiary:

Unit: In Thousands Dollars

Name	Date of Establishment	Addresss	Paid-in Capital	Main Business Item
Li Hao Investment	1993.04.01	11 <sup>th</sup> Fl., No.162, Songjiang Rd., Jhongshan Dist., Taipei City 104488, Taiwan (R.O.C.)	NT\$ 756,000	General investment business
Li Zan Investment	1995.05.26	11 <sup>th</sup> Fl., No.162, Songjiang Rd., Jhongshan Dist., Taipei City 104488, Taiwan (R.O.C.)	NT\$ 460,000	General investment business
Libolon Enterprise	2010.11.11	6 Fl., No.162, Songjiang Rd., Jhongshan Dist., Taipei City 104488, Taiwan (R.O.C.)	NT\$ 50,000	Leisure sports goods wholesale and retail business
Li Jie Energy	2011.07.11	4 <sup>th</sup> Fl., No.162, Songjiang Rd., Jhongshan Dist., Taipei City 104488, Taiwan (R.O.C.)	NT\$ 300,000	Coal retail and wholesale business
PT. INDONESIA LIBOLON FIBER SYSTEM	1990.05.11	Lantai 1 Jl. Cideng Barat No. 15, RT.011 / RW.001, Kel. Duri Pulo, Kec, Gambir, DKI Jakarta	US\$ 95,500 (remarks 1)	Weaving, dyeing and finishing, processing, manufacturing and trading of man-made fiber fabrics
Virtue Elite Limited	2018.07.18	NPF Builing, Beach Road, Apia, Samoa	US\$ 2	Coal retail and wholesale business

Remarks 1: In 2020, the subsidiary increased its capital by USD 30,000,000. As of the date of publication of the annual report, the capital will be USD 95,500,000.

## 3. The same shareholders presumed to have control power on subsidiary: None

## 4. Overall businesses covered by subsidiaries:

- (1) Plate-making, printing and processing, manufacturing and selling of various printing papers, graphic dyed papers, and printing plates
- (2) Manufacturing and selling of man-made fiber raw materials, synthetic fiber raw materials and their processed products
- (3) Manufacturing and selling of plastic materials
- (4) Chemical industry product business
- (5) False twist weaving, dyeing and finishing, processing, manufacturing, and selling of various man-made and natural fiber fabrics, printed fabrics, cotton fabrics, silk fabrics and garments
- (6) Logistic and sales, other blended yarn manufacturing, weaving processing of natural cotton, linen cotton, silk, wool, synthetic fiber, chemical fiber and, etc.
- (7) Manufacturing and import/export business of various raw materials and finished products
- (8) The import and export of related textiles
- (9) Delegated constructors to build commercial buildings and lease/sale of residential buildings
- (10) Operating a cogeneration plant
- (11) General investment business
- (12) Leisure sports goods wholesale and retail business
- (13) Coal retail and wholesale business

5. The names of the directors, supervisors and presidents of each subsidiaries and their shareholding or capital contribution to the company:

March 31, 2021

Company Name	Job Title	Name or Representative	Sharehold	
			Number of Share	Proportion
Li Hao Investment Co., Ltd.	Chairman	Lealea Enterprise Co., Ltd. Representative: Chen, Hui-chen	40,356,000 0	53.38% 0%
	Supervisor	Li Peng Enterprise Co., Ltd. Representative: Chen Ping-huang	35,244,000 0	46.62% 0%
Li Zan Investment Co., Ltd.	Chairman	Lealea Enterprise Co., Ltd. Representative: Lin, Shiu-ling	24,460,000 0	53.17% 0%
	Supervisor	Li Peng Enterprise Co., Ltd. Representative: Lin, Tsun-lien	21,540,000 0	46.83% 0%
Li Jie Energy Co., Ltd.	Chairman	Lealea Enterprise Co., Ltd. Representative: Kuo, Shao-yi	21,000,000 0	70% 0%
	Director	Lealea Enterprise Co., Ltd. Representative: Chen, Han-ching	21,000,000 0	70% 0%
	Director	Lealea Enterprise Co., Ltd. Representative: Teng, Da-hung	21,000,000 0	70% 0%
	Supervisor	Li Peng Enterprise Co., Ltd.-huang Representative: Chen, Ping-huang	9,000,000 0	30% 0%
Libolon Enterprise Co., Ltd.	Chairman	Lealea Enterprise Co., Ltd. Representative: Wu, Chia-sho	5,000,000 0	100% 0%
PT. INDONESIA LIBOLON FIBER SYSTEM	Chairman	Kuo, Shao-yi	0	0%
	Vice Chairman	Winardi Pranatajaya	0	0%
	Director	Chen, Han-ching	0	0%
	Director	Yuan, Pei-hwan	0	0%
	Director	Jan, Ming-lang	0	0%
Virtue Elite Limited	Chairman	Kuo, Shao-yi	0	0%

6. Business Operation Overview of Each Subsidiary

Unit: In Thousands of New Taiwan Dollars

Company Name	Capital	Asset	Liability	Net Value	Operating Revenue	Operating Income	Current Profit and Loss (After Tax)	Earning per Share (NT\$) (After Tax)
Li Hao Investment (remarks 1)	756,000	961,010	8,041	952,969	(954)	(1,081)	(10,402)	(0.13)
Li Zan Investment (remarks 1)	460,000	590,614	7,296	583,318	(31,241)	(31,366)	(44,406)	(0.97)
Li Jie Energy	300,000	434,772	99,091	335,681	578,211	26,700	25,730	0.86
Libolon Enterprise	50,000	51,016	40,687	10,329	62,964	(5,021)	(5,502)	(1.10)
PT. INDONESIA LIBOLON FIBER SYSTEM (remarks 2)	387,703	2,621,367	1,124,859	1,496,508	665,193	(118,784)	(166,708)	(10.04)
Virtue Elite Limited (remarks 3)	62	52	2,917	(2,865)	87,267	2,082	1,879	939.3

Remarks 1: The above information is the amount after the company has reorganized and adjusted

Remarks 2: 2020.12.31 Exchange rate Indonesian Rupiah: New Taiwan Dollar=1: 0.0020191, 2020 average exchange rate Indonesian Rupiah: New Taiwan Dollar=1: 0.0020267

Remarks 3: 2020.12.31 Exchange rate USD: New Taiwan Dollar=1: 28.48, the average exchange rate in 2020 USD: New Taiwan Dollar=1: 29.5332

## **1.2 Statement of Consolidated Financial Statements of Subsidiaries**

### **Statement**

The Company shall include the consolidated financial report of the related enterprise in accordance with the "Compilation Standards for the Consolidated Operation Statements, Financial Statements and the Relationship Report of the Subsidiary Enterprises" in 2020 (from January 1 to December 31, 2020) in accordance with International Accounting Standards No. 10, and the relevant information of parent company and the information of subsidiary companies should be the same. Information that subsidiaries should be disclosed in previous parent-child companies consolidated financial reports; thus, there will not be prepared separately consolidated financial reports of subsidiary companies.

Hereby declare

Company Name: Lealea Enterprise Co., Ltd.

Chairman: Kuo, Shao-yi

March 20, 2021

**2. Private Placement of Securities in The Past Year and as of The Publication Date of The Annual Report: None**

**3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year**

**3.1 Holding or disposal of the company's shares by affiliates in the past year and as of the publication date of the annual report:**

Unit: In Thousands of New Taiwan Dollars;  
Share: %

Affiliates' Name	Paid-in Capital	Sources of Funds	The Company's Shareholding Ratio	Acquire or Disposal Date	Stock Number and Value Acquired	Stock Number and Value Disposed	Profit and Loss on Investment	Stock Number and Value as of the Publication Date of Annual Report	Pledge Setting	Amount that the Company Endorsed for Affiliates	Amount that the Company Loaned to the Affiliates
Li Hao Investment	756,000	-	53.38%	None	None	None	None	4,672,653 shares 55,426,000	None	None	None
Li Zan Investment	460,000	-	53.17%	None	None	None	None	6,101,375 shares 82,663,000	None	None	None

**3.2 Impact to company's operation results and financial status: None**

**4. Other Necessary Supplementary Notes: None**

**5. Matters That Have A Significant Impact on Shareholders' Equity or Securities Prices According to the Second paragraph of Article 36, Paragraph 3 of the Securities and Exchange Act: None**

# Consolidated Financial Statements

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
LEALEA ENTERPRISE CORPORATION Limited:

### Opinion

We have audited the accompanying consolidated financial statements of LEALEA ENTERPRISE CORPORATION Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

Per opinions of our accountants, the consolidated financial statements mentioned in paragraph one have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations and announcements endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China in all material aspects, and can be reasonably assessed to present the consolidated financial conditions of the Company and its subsidiaries as of December 31, 2020 and 2019, as well as the consolidated financial performance and consolidated cash flow from January 1 to December 31, 2020 and 2019.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

#### The authenticity of sales transactions of customers with positive annual sales revenue growth

LEALEA ENTERPRISE Company and subsidiaries are mainly engaged in the manufacturing and sales of polyester fully oriented yarn, draw textured yarn and polyester chip. Due to the impact of the global pandemic of the Covid-19 epidemic, consolidated operating income in 2020 has been greatly reduced, and due to the impact of the epidemic, the operating income of



competitors in the same industry have generally shown a downward trend. The analysis of annual sales revenue by customer shows that some customers have sales revenue grown against the trend, which is contrary to the trend of the company and competitors in the same industry. Since operating income is the focus of investors, there are significant risks in income recognition. The true occurrence of sales income will be relevant to income recognition and the fair expression of financial reports. Because of this, the accountant listed the authenticity of sales transactions of customer with positive sales revenue growth as the key audit items for this year. For accounting policies and relevant disclosure information related to the recognition of operating income, please refer to Note 4.

The main auditing procedures adopted by the accountants with regard to the issues described above are to understand the effectiveness of internal controls concerning sales management procedures related to the revealed sales revenue, execute test of details of revenue, take random inspections on relevant documents and certificates of shipment and payment collection and raise requests for confirmation letters in order to assure the authenticity of sales revenue.

### **Other Matter**

We have also audited the individual financial statements of LEALEA ENTERPRISE CORPORATION Limited as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

### **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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 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 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 auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

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

1. Identified and evaluated the risk of material misstatement due to fraud or error in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the evaluated risks; obtained sufficient and appropriate evidence as the basis for the audit opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 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 whether applicable, related safeguards.

In the communications between us and the Company’s governing body, we have determined the key audit items from 2020 consolidated financial statements of the Company and its subsidiaries. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

The engagement partners on the audit resulting in this independent auditors’ report are Chiu, Ming-Yu and Wu, Ke-Chang.

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Chiu, Ming-Yu  
Deloitte & Touche  
Taipei, Taiwan  
Republic of China

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Wu, Ke-Chang  
Deloitte & Touche  
Taipei, Taiwan  
Republic of China

Financial-Supervisory-Securities-  
VI-0930160267 of the Financial  
Supervisory Commission

Financial-Supervisory-Securities-  
Auditing-1000028068 of the  
Financial Supervisory Commission

March 31, 2021

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars)

Code	ASSETS	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Note 6)	\$ 1,232,398	7	\$ 1,401,355	8
1110	Financial assets at fair value through profit or loss – Current (Note 7)	296,315	2	205,731	1
1150	Notes receivable, net (Note 8)	60,891	-	129,619	1
1160	Notes Receivable from related parties, net (Note 8, 24)	12,833	-	25,408	-
1170	Accounts receivable, net (Note 8)	563,488	3	845,128	5
1180	Accounts Receivable from related parties, net (Note 8, 24)	141,084	1	115,331	-
1210	Advance loans to related parties (Note 24)	135,000	1	120,000	1
1310	Inventories – Manufacturing & Merchandising businesses (Note 9)	2,053,510	12	2,478,726	14
1410	Prepayments	105,909	1	94,981	-
1476	Other financial assets – Current (Note 6)	386,330	2	25,133	-
1479	Other current assets (Note 12)	64,010	-	16,823	-
11XX	Total current assets	<u>5,051,768</u>	<u>29</u>	<u>5,458,235</u>	<u>30</u>
	<b>NONCURRENT ASSETS</b>				
1510	Financial assets at fair value through income (loss) – Noncurrent (Note 7)	1,347	-	1,347	-
1550	Investments accounted for using equity method (Note 11)	4,974,450	29	4,753,470	26
1600	Property, plant and equipment (Note 12)	7,011,274	40	7,490,669	42
1755	Right-of-use assets (Note 13)	13,272	-	19,657	-
1780	Other intangible assets	1,865	-	1,744	-
1805	Goodwill	63,337	-	63,337	-
1840	Deferred income tax assets (Note 18)	160,139	1	112,585	1
1915	Prepayments for business facilities	93,489	1	28,134	-
1990	Other noncurrent assets – Others	27,805	-	79,345	1
15XX	Total noncurrent assets	<u>12,346,978</u>	<u>71</u>	<u>12,550,288</u>	<u>70</u>
1XXX	<b>TOTAL ASSETS</b>	<u>\$ 17,398,746</u>	<u>100</u>	<u>\$ 18,008,523</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term loans (Note 14)	\$ 1,750,000	10	\$ 2,163,267	12
2110	Short-term bills payable (Note 14)	770,000	4	110,000	1
2120	Financial liabilities at fair value through profit or loss – Current (Note 7)	-	-	30,298	-
2150	Notes payable	8,733	-	9,254	-
2160	Notes payables to related parties (Note 24)	730	-	79	-
2170	Accounts payable	504,725	3	532,535	3
2180	Accounts payables to related parties (Note 24)	99,021	-	28,764	-
2219	Other payables	447,424	3	499,235	3
2220	Advance loans to related parties (Note 24)	502,794	3	184,000	1
2230	Current income tax liabilities (Note 18)	6,124	-	47,778	-
2280	Lease liabilities – Current (Note 13)	4,203	-	9,176	-
2320	Long-term liabilities – Current portion (Note 14)	474,667	3	624,463	3
2399	Other current liabilities (Note 12)	326,916	2	304,068	2
21XX	Total current liabilities	<u>4,895,337</u>	<u>28</u>	<u>4,542,917</u>	<u>25</u>
	<b>NONCURRENT LIABILITIES</b>				
2540	Long-term borrowings (Note 14)	520,000	3	1,651,679	9
2570	Deferred income tax liabilities – Noncurrent (Note 18)	112,403	1	96,653	1
2580	Lease liabilities – Noncurrent (Note 13)	8,584	-	10,219	-
2640	Net defined liabilities – Noncurrent (Note 15)	383,494	2	417,913	2
2645	Guarantee deposits	1,657	-	1,748	-
2670	Other noncurrent liabilities	794	-	684	-
25XX	Total noncurrent liabilities	<u>1,026,932</u>	<u>6</u>	<u>2,178,896</u>	<u>12</u>
2XXX	Total liabilities	<u>5,922,269</u>	<u>34</u>	<u>6,721,813</u>	<u>37</u>
	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (NOTE 16)</b>				
	Capital stock				
3110	Capital – Common stock	9,573,029	55	9,573,029	53
3200	Capital surplus	78,422	-	83,024	-
	Retained earnings				
3310	Appropriated as legal capital reserve	530,980	3	528,650	3
3320	Appropriated as special capital reserve	40,464	-	40,464	-
3350	Unappropriated earnings	(259,472)	(1)	62,527	1
3300	Total retained earnings	311,972	2	631,641	4
3400	Others	322,967	2	1,851	-
3500	Treasury stock	(28,470)	-	(28,470)	-
31XX	Equity attributable to shareholders of the parent	<u>10,257,920</u>	<u>59</u>	<u>10,261,075</u>	<u>57</u>
36XX	NON-CONTROLLING INTERESTS (Note 16)	<u>1,218,557</u>	<u>7</u>	<u>1,025,635</u>	<u>6</u>
3XXX	Total equity	<u>11,476,477</u>	<u>66</u>	<u>11,286,710</u>	<u>63</u>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 17,398,746</u>	<u>100</u>	<u>\$ 18,008,523</u>	<u>100</u>

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

Chairman: KUO, SHAO YI

Manager: KUO, SHAO YI

Accounting Supervisor: Hsu, Li Hsueh

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years Ended December 31, 2020 and 2019**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2020		2019	
		Amount	%	Amount	%
	OPERATING REVENUE (Note 24)				
4100	Sales revenue	\$ 8,373,609	100	\$ 11,968,710	100
4500	Construction income	-	-	39,425	-
4000	Operating revenue	<u>8,373,609</u>	<u>100</u>	<u>12,008,135</u>	<u>100</u>
	COST OF REVENUE (Note 9, 24)				
5110	Cost of goods sold	7,994,807	95	11,202,519	93
5500	Construction cost	-	-	2,687	-
5000	Cost of revenue	<u>7,994,807</u>	<u>95</u>	<u>11,205,206</u>	<u>93</u>
5900	GROSS PROFIT	378,802	5	802,929	7
5910	GROSS PROFIT BEFORE UNREALIZED WITH ASSOCIATES	( 918 )	-	-	-
5920	GROSS PROFIT BEFORE REALIZED	-	-	143	-
5950	REALIZED GROSS PROFIT	<u>377,884</u>	<u>5</u>	<u>803,072</u>	<u>7</u>
	OPERATING EXPENSE (Note 24)				
6100	Marketing expenses	389,742	5	432,773	4
6200	General and administrative	193,680	2	209,704	2
6300	Research and development	44,591	1	52,266	-
6450	Expected credit impairment loss determined in accordance with IFRS 9	31	-	4,612	-
6000	Total operating expenses	<u>628,044</u>	<u>8</u>	<u>699,355</u>	<u>6</u>
6900	OPERATING INCOME (LOSS)	( 250,160 )	( 3 )	103,717	1
	NON-OPERATING INCOME AND EXPENSE (Note 17, 24)				
7100	Interest income	31,622	-	56,356	-
7140	Gain recognized in bargain purchase transaction — Affiliated associations acquisition	52,560	1	-	-
7190	Other income	133,702	2	80,874	1
7020	Other gains and losses	( 248,881 )	( 3 )	( 45,473 )	-
7050	Finance costs	( 59,742 )	( 1 )	( 92,337 )	( 1 )
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	( 118,796 )	( 1 )	( 100,726 )	( 1 )
7000	Total non-operating income and expenses	( 209,535 )	( 2 )	( 101,306 )	( 1 )

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
7900	INCOME (LOSS) BEFORE INCOME TAX	( \$ 459,695 )	( 5 )	\$ 2,411	-
7950	INCOME TAX EXPENSE (Note 18)	<u>34,867</u>	-	( <u>65,829</u> )	-
8200	NET INCOME (LOSS)	( <u>424,828</u> )	( <u>5</u> )	( <u>63,418</u> )	-
	OTHER COMPREHENSIVE INCOME (LOSS)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit obligation	12,312	-	( 26,265 )	-
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	443,618	5	( 77,719 )	( 1 )
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences arising on translation of foreign operations	( 96,553 )	( 1 )	17,307	-
8367	Unrealized gain on investment in debt instruments at fair value through other comprehensive income	-	-	8,547	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	-	-	<u>1,046</u>	-
8300	Other comprehensive loss for the year, net of income tax	<u>359,377</u>	<u>4</u>	( <u>77,084</u> )	( <u>1</u> )
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	( <u>\$ 65,451</u> )	( <u>1</u> )	( <u>\$ 140,502</u> )	( <u>1</u> )
	NET INCOME (LOSS) ATTRIBUTABLE TO:				
8610	Shareholders of the parent	( \$ 357,444 )	( 4 )	\$ 52,588	-
8620	Non-controlling interests	( <u>67,384</u> )	( <u>1</u> )	( <u>116,006</u> )	( <u>1</u> )
8600		( <u>\$ 424,828</u> )	( <u>5</u> )	( <u>\$ 63,418</u> )	( <u>1</u> )
	TOTAL COMPREHENSIVE ATTRIBUTABLE TO:				
8710	Shareholders of the parent	\$ 1,447	-	( \$ 29,671 )	-
8720	Non-controlling interests	( <u>66,898</u> )	( <u>1</u> )	( <u>110,831</u> )	( <u>1</u> )
8700		( <u>\$ 65,451</u> )	( <u>1</u> )	( <u>\$ 140,502</u> )	( <u>1</u> )
	EARNINGS (LOSS) PER SHARE (Note 19) FROM CONTINUING OPERATION				
9710	Basic earnings per share	( <u>\$ 0.38</u> )		<u>\$ 0.06</u>	
9810	Diluted earnings per share			<u>\$ 0.06</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
Chairman: KUO, SHAO YI    Manager: KUO, SHAO YI    Accounting Supervisor: Hsu, Li Hsueh

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY**  
**Years Ended December 31, 2020 and 2019**  
**(In Thousands of New Taiwan Dollars)**

Code		Equity Attributable to Shareholders of the Parent							Equity Adjustments			Non-controlling Interests	Total Equity	
		Capital Stock-Common Stock			Retained Earnings				Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock			Total
		Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings							
A1	BALANCE JANUARY 1, 2019	957,303	\$ 9,573,029	\$ 76,303	\$ 487,091	\$ 40,464	\$ 463,532	( \$ 59,882 )	\$ 114,879	( \$ 28,470 )	\$ 10,666,946	\$ 1,139,827	\$ 11,806,773	
B1	2018 Appropriation of earnings	-	-	-	41,559	-	( 41,559 )	-	-	-	-	-	-	
B5	Legal capital reserve	-	-	-	-	-	( 382,921 )	-	-	-	( 382,921 )	-	( 382,921 )	
O1	Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	( 5,692 )	( 5,692 )	
C7	Adjustments to other capital surplus:	-	-	-	-	-	-	-	-	-	-	-	-	
	Adjustments to share of changes in equities of associates	-	-	3,955	-	-	-	-	-	-	3,955	766	4,721	
M1	Cash dividends paid from parent company to subsidiaries	-	-	4,309	-	-	-	-	-	-	4,309	-	4,309	
M7	From share of changes in equities of subsidiaries (Note 21)	-	-	( 1,543 )	-	-	-	-	-	-	( 1,543 )	-	( 1,543 )	
Q1	Non-controlling interests (Note 16)	-	-	-	-	-	-	-	-	-	-	1,565	1,565	
D1	Net income (loss) in 2019	-	-	-	-	-	52,588	-	-	-	52,588	( 116,006 )	( 63,418 )	
D3	Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	( 29,113 )	11,703	( 64,849 )	-	( 82,259 )	5,175	( 77,084 )	
D5	Total comprehensive income (loss) in 2019	-	-	-	-	-	23,475	11,703	( 64,849 )	-	( 29,671 )	( 110,831 )	( 140,502 )	
Z1	BALANCE DECEMBER 31, 2019	957,303	9,573,029	83,024	528,650	40,464	62,527	( 48,179 )	50,030	( 28,470 )	10,261,075	1,025,635	11,286,710	
B1	2019 Appropriation of earnings	-	-	-	2,330	-	( 2,330 )	-	-	-	-	-	-	
O1	Legal capital reserve	-	-	-	-	-	-	-	-	-	-	( 4,166 )	( 4,166 )	
O1	Cash dividends to shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	
C7	Adjustments to other capital surplus:	-	-	-	-	-	-	-	-	-	-	-	-	
	Adjustments to share of changes in equities of associates	-	-	( 4,602 )	-	-	-	-	-	-	( 4,602 )	( 3,727 )	( 8,329 )	
O1	Non-controlling interests (Note 16)	-	-	-	-	-	-	-	-	-	-	267,713	267,713	
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income, accounted for using equity method	-	-	-	-	-	23,992	-	( 23,992 )	-	-	-	-	
D1	Net income (loss) in 2020	-	-	-	-	-	( 357,444 )	-	-	-	( 357,444 )	( 67,384 )	( 424,828 )	
D3	Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	-	13,783	( 67,996 )	413,104	-	358,891	486	359,377	
D5	Total comprehensive income (loss) in 2020	-	-	-	-	-	( 343,661 )	( 67,996 )	413,104	-	1,447	( 66,898 )	( 65,451 )	
Z1	BALANCE DECEMBER 31, 2020	957,303	\$ 9,573,029	\$ 78,422	\$ 530,980	\$ 40,464	( \$ 259,472 )	( \$ 116,175 )	\$ 439,142	( \$ 28,470 )	\$ 10,257,920	\$ 1,218,557	\$ 11,476,477	

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

Chairman: KUO, SHAO YI

Manager: KUO, SHAO YI

Accounting Supervisor: Hsu, Li Hsueh

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars)

Code	CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
A10000	Income (loss) before income tax	(\$ 459,695)	\$ 2,411
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	732,992	709,260
A20200	Amortization expense	57,020	75,738
A20300	Expected credit losses recognized on investments in debt instruments	31	4,612
A20900	Finance costs	59,742	92,337
A21200	Interest income	( 31,622 )	( 56,356 )
A21300	Dividend income	( 3,920 )	( 1,620 )
A20400	Loss (gain) on financial assets or liabilities at fair value through profit or loss, net	( 33,423 )	18,302
A22300	Share of profits of associates & joint ventures	118,796	100,726
A22500	Loss (gain) on disposal or retirement of property, plant and equipment	2,049	( 4,506 )
A23100	Disposal of loss (gain) on investment	22,267	( 1,860 )
A23700	Loss for market price decline and obsolete and slow-moving inventories or gain from price recovery of inventory	( 30,169 )	984
A23900	Unrealized (realized) gain from inter-affiliated accounts	918	( 143 )
A24100	Loss (gain) on foreign exchange	7,353	( 28,815 )
A29900	Gain recognized in bargain purchase transaction	( 52,560 )	-
A29900	Gain on disposal of subsidiaries	( 64 )	-
A30000	CHANGES IN OPERATING ASSETS AND LIABILITIES		
A31115	Financial assets at fair value through profit or loss, mandatorily measured at fair value	( 83,356 )	( 96,028 )
A31130	Notes receivable	82,010	65,740
A31150	Accounts receivable	260,005	366,637
A31200	Inventories	458,078	352,171
A31230	Prepayments	( 58,210 )	( 41,912 )
A31240	Other current assets	7,069	( 13,945 )
A31250	Other financial assets	( 340,363 )	9,750
A31990	Other assets	36	( 7,192 )
A32130	Notes and bills payable	130	( 288,896 )

(Continued)



Code		2020	2019
A32150	Accounts payable	\$ 42,523	( \$ 108,743 )
A32180	Other payables	( 22,996 )	38,065
A32230	Other current liabilities	23,001	65,641
A32240	Net defined benefit liability	( 19,488 )	( 28,539 )
A33000	Net cash generated by operating activities	738,154	1,223,819
A33100	Interest received	31,541	59,274
AC0200	Dividend received	3,920	1,620
A33200	Dividends received from associates	42,835	72,650
A33300	Interest paid	( 62,058 )	( 90,116 )
A33500	Income tax paid	( 10,923 )	( 165,058 )
AAAA	Net cash flows from operating activities	743,469	1,102,189
CASH FLOWS FROM INVESTING ACTIVITIES			
B00200	Disposal of financial assets at fair value through other comprehensive profit or loss	-	72,741
B01800	Acquisition of long-term equity investment using the equity method	( 62,693 )	( 15,200 )
B01900	Disposal of long-term equity investments using the equity method	138,263	-
B02300	Net cash flows from disposal of subsidiaries	( 392 )	-
B02700	Acquisition of property, plant and equipment	( 543,406 )	( 675,855 )
B02800	Disposal of property, plant and equipment	3,439	5,210
B03700	Pledged certificate of deposit	-	6,300
B03800	Increase (decrease) in refundable guarantee deposits	( 691 )	1,552
B04300	Increase (decrease) in advance loans from related parties	( 15,000 )	( 7,000 )
B04500	Acquisition of Intangible assets	( 1,684 )	( 571 )
BBBB	Net cash used in investing activities	( 482,164 )	( 612,823 )
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase (decrease) in short-term loans	( 416,402 )	187,010
C00500	Increase (decrease) in short-term bills payable	660,000	( 50,000 )
C01600	Long-term borrowings	-	457,951
C01700	Repayment of long-term borrowings	( 1,265,286 )	( 719,582 )
C03100	Increase (decrease) in guarantee deposits received	( 354 )	179
C03700	Increase (decrease) in advance loans payable to related parties	344,937	( 52,000 )
C04020	Repayment of the principal portion of lease liabilities	( 9,840 )	( 9,333 )
C04500	Cash dividends to shareholders of the company	-	( 378,612 )
C05800	Cash dividends to non-controlling interests	( 4,166 )	( 5,692 )
C05800	Non-controlling interests change	268,110	22
CCCC	Net cash used in financing activities	( 423,001 )	( 570,057 )
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	( 7,261 )	( 16,304 )

(Continued)

Code		2020	2019
E000	NET DECREASE IN CASH AND CASH EQUIVALENTS	(\$ 168,957)	(\$ 96,995)
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,401,355</u>	<u>1,498,350</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,232,398</u>	<u>\$ 1,401,355</u>

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

Chairman: KUO, SHAO YI Manager: KUO, SHAO YI Accounting Supervisor: Hsu, Li Hsueh

## **LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

#### **1. GENERAL**

LEALEA ENTERPRISE CORPORATION Limited (hereinafter referred to as LEALEA ENTERPRISE), a Republic of China (R.O.C.) corporation, was incorporated in 1979 with an initial capital of NT\$16,000 thousand. After several capital increases the total capital was NT\$9,573,029 thousand as of December 31, 2020. LEALEA ENTERPRISE is mainly engaged in the manufacturing and sales of polyester fully oriented yarn, polyester draw textured yarn, and polyester chip. Its factories are located in Zhongli District, Taoyuan City and Fangyuan Township, Changhua County. In addition, LEALEA ENTERPRISE has added a construction department since the second half of 2004, which cooperated with its affiliate Rich Development Company Limited to work together on building and selling residences and other businesses. On August 1990, LEALEA ENTERPRISE shares were officially listed and traded on the Taiwan Stock Exchange (TWSE).

LIHAO INVESTMENT Company Limited (hereinafter referred to as LIHAO INVESTMENT) and LIZAN INVESTMENT Company Limited (hereinafter referred to as LIZAN INVESTMENT) are mainly engaged in the investments of various production businesses, securities investment companies, banks, insurance companies, trading companies, department stores, entertainment companies, cultural companies, and the construction of commercial buildings and national housing businesses, etc. LEA JIE ENERGY Company Limited (hereinafter referred to as LEA JIE ENERGY), formerly known as LEA JIE INTERNATIONAL Company Limited, is mainly engaged in businesses of textile industry consultancy and clothing design, etc. It was renamed as LEA JIE ENERGY Company Limited on December 12, 2014, with main business as coal trading. LIBOLON ENTERPRISE Company Limited (hereinafter referred to as LIBOLON ENTERPRISE) is mainly engaged in sporting and recreation goods wholesaling and retailing business, etc. PT. INDONESIA LIBOLON FIBER SYSTEM (hereinafter referred to as PT. INDONESIA LIBOLON), formerly known as PT. INDONESIA TAROKO TEXTILE, is mainly engaged in the manufacturing and sales of weaving, dyeing and finishing, processing of artificial fiber fabrics. VIRTUE ELITE Limited (hereinafter referred to as VIRTUE ELITE) is mainly engaged in the coal trading business. LIBOLON ENERGY Company Limited (hereinafter referred to as LIBOLON ENERGY) is mainly engaged in the trading business of renewable-energy-based self-usage power generation equipment. The LEALEA Group has disposed LIBOLON ENERGY on July 1, 2020.

The expression currency of the consolidated financial report and the functional currency of LEALEA ENTERP are both in New Taiwan Dollars.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were approved and authorized by the Board of Directors on March 29, 2021.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

In addition to the following explanations, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on LEALEA ENTERPRISE CORPORATION Limited and its subsidiaries’ (collectively as the “Company”) accounting policies.

Covid-19-Related Rent Concessions (Amendment to IFRS 16).

The Company chose to negotiate with the lessor for rent directly related to COVID-19 by applying the revised practical expedients. Please refer to Note 4 for the relevant accounting policies. Before applying the amendment, the Company shall determine whether the aforementioned rent negotiation should apply the provisions of lease amendment.

The Company began to apply the amendment on January 1, 2020. Since the aforementioned rent negotiation only affected the year 2020, the retrospective application of the amendment did not affect the retained earnings on January 1, 2020.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the Financial Supervisory Commission R.O.C. (hereinafter referred to as the "FSC") with effective date starting 2021

c.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) "	Effective from the date of release
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)	Effective for the annual reporting period beginning on January 1, 2021

- d. The IFRSs issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRS Standards 2018–2020 Reference to the Conceptual Framework (Amendments to IFRS 3 )	January 1, 2022 (Note 2)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	January 1, 2022 (Note 3) To be determined by IASB
IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17 Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)	January 1, 2023 January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 6)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 7)
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022 (Note 4)
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, the above-mentioned new/revised/ amended standards and interpretations will first apply to annual reporting period beginning after each date.

Note 2: The amendment of IFRS 9 is applicable to the exchange or clause modification of financial liabilities in the annual reporting period beginning after January 1, 2022. The amendment of IAS 41 "Agriculture" is applicable to fair value measurement in the annual reporting period beginning after January 1, 2022.

Note 3: The amendment is applicable to business combinations with acquisition date in the annual reporting period beginning after January 1, 2022.

Note 4: The amendment is applicable to plants, real estate, and equipment with necessary locations and conditions that meet the modes of operations expected by the management after January 1, 2021.

Note 5: This amendment is applicable to contracts that have not fulfilled all obligations on January 1, 2022.

Note 6: The amendment effective date is deferred and will be applicable to the annual reporting period beginning after January 1, 2023

Note 7: This amendment is applicable to changes of accounting estimates and accounting policies in the annual reporting period beginning on January 1, 2023.

As of the date the accompanying consolidated financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation. The Amendment to IFRS 1 "First Adoption of IFRSs" is retrospectively applied to the annual reporting period beginning after January 1, 2022.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of Compliance**

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC with the effective dates (collectively, "Taiwan-IFRSs").

##### **b. Basis of Preparation**

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Fair value measurements are categorized into a three-level hierarchy, according to the observability and importance of the relevant input values, as follows:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical asset or liability that the entity can access at the measurement date.
- (2) Level 2 inputs are inputs other than the quoted prices in determined in level 1 that are directly or indirectly observable for that asset or liability.
- (3) Level 3 inputs are unobservable inputs for the asset or liability.

##### **c. Classification of Current and Noncurrent Assets and Liabilities**

Current assets are:

- (1) Assets held for trading purposes.
- (2) Assets expected to be realized within 12 months after the balance sheet date.
- (3) Cash and cash equivalents (but excluding those restricted for exchange or settlement of liabilities more than 12 months after the balance sheet date).

Current liabilities are:

- (1) Obligations incurred for trading purposes
- (2) Obligations expected to be settled within 12 months after the balance sheet date. (It is still a current liability even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial report is issued)
- (3) The entity does not have an unconditional right to defer settlement of the liability for at least 12 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.

Those not belonging to the above-mentioned current assets or current liabilities are classified as noncurrent assets or noncurrent liabilities.

The Company is engaged in the construction projects with business cycle longer than one year. The assets and liabilities related to the construction businesses are classified as a current or noncurrent based on the time frame of normal business cycles.

**d. Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of LEALEA and entities controlled by LEALEA (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. When preparing the consolidated financial report, all intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to shareholders of the parent.

Please refer to Note 10 and Table 7 for the details of subsidiaries, shareholding ratio and business items.

**e. Business Combinations**

Business combinations are accounted for using the acquisition method. The acquisition-related costs are considered as expenses in the periods in which the costs are incurred and the services are received.

Goodwill is measured as the excess of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition date fair value of the previously held equity interest in the acquiree, which exceeds the share acquired by the Company in the fair value of the entity's identifiable net assets and commitments at the acquisition date. If, after reassessment, the net amount of the acquiree's identifiable assets and liabilities assumed at the acquisition date still exceeds the consideration transferred, the excess of the acquisition date fair value related to the acquiree's non-controlling interests and previously held equity interests in the acquiree will be accounted as bargain purchase benefit and immediately recognized in profit or loss.

When the consideration transferred by the Company in a business combination includes assets or liabilities arising from a contingent consideration agreement, the contingent consideration is measured at the acquisition date fair value as part of the consideration

transferred exchanged for the acquiree.

If a change in the fair value of contingent consideration is treated as an adjustment during the measurement period, it will be accounted as a retrospective adjustment of the acquisition cost and a relative adjustment of goodwill. The measurement period adjustment refers to the adjustment aroused during the "measurement period" (which cannot exceed one year from the acquisition date) due to additional information obtained after the acquisition date that affects the facts or circumstances as they existed at the acquisition date.

If changes in the fair value of contingent consideration are not treated as adjustments during the measurement period, the subsequent treatment will depend on the classification of the contingent consideration. For those classified as equity and listed in the capital reserve, the contingent consideration of the options shall not be remeasured, and its subsequent delivery will be adjusted in the equity and transferred to the capital reserve-the premium of the issuance of ordinary shares. Other contingent consideration is measured at fair value on the subsequent balance sheet date, and changes in fair value are recognized in profit or loss.

**f. Foreign Currencies**

While preparing financial statements, for those entities trade in currencies other than the functional currency of the entity, foreign currencies are converted into functional currency in accordance with the rates of exchange as on the date of initial transactions

Foreign currency monetary items are converted in accordance with the rates of exchange as on the date of balance sheet. The exchange differences arising from the delivery or the conversion of monetary items are accounted into current profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and the resulting conversion differences are listed in the current profit and loss. However, if the fair value change is recognized in other comprehensive gains and losses, the resulting conversion differences are listed in other comprehensive profit and loss.

Non-monetary items measured at historical cost in a foreign currency are translated in accordance with the rates of exchange as on the date of initial transactions and will not be converted again.

When preparing the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries, affiliates, joint ventures, or branches that operate in a country or currency different from the company) are converted into New Taiwan dollar in accordance with the rates of exchange as on the date of balance sheet. The income and expense items are translated at the average exchange rate for the period, and the exchange differences arising on the translation are recognized in other comprehensive profits and losses (and respectively attributable to the owners and non-controlling interests of the Company).

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and



liabilities of the foreign operation, and are calculated and translated in accordance with the closing rates of exchange as on the date of balance sheet. The exchange differences arising on the translation are recognized in other comprehensive profits and losses.

**g. Inventories**

Inventories refer to raw materials and supplies, finished goods, and work in progress. Inventories are stated at the lower of cost or net realizable value (NVR). With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventory is calculated using weighted average method.

**h. Investment in Associates**

An associate is an entity over which the Company has significant influence but is not a subsidiary.

The Company adopts the equity method for investments in associates. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, is recognized immediately in profit or loss.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company adopts the equity method to record such a difference as an adjustment to equity and investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the capital reserve is used for the aforementioned adjustment and the balance of capital reserve derived from investment accounted for using equity method is not sufficient, the difference shall be registered under retained earnings.

When the Company's share of losses in the associate equals or exceeds its investment in the equity of the associate (including the carrying amount of the investment in the associate under the equity method and other long-term interests that, in substance, form

part of the Company's net investment in the associate), the Company shall cease the recognition of further losses. The Company shall only recognize additional losses and liabilities within the scope of legal obligations, inferential obligations, or payments made on behalf of associates.

To assess impairment, the Company must consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts for the impairment test. The recognized impairment shall not be allocated to any asset, including goodwill, which constitutes part of the carrying amount of the investment. Any reversal of the impairment loss has to be considered after subsequent increases in the recoverable amount of investment.

The Company shall suspend the use of the equity method on the day that its investment is no longer an associate and shall measure its retained equity in the original associate through fair value. The difference between the fair value, the amount gained from the disposal, and the carrying amount of the investment on the day the equity method ceases to apply shall be listed into the profit or loss of the current period. In addition, the basis accounting policies for amounts of the associate shown in other comprehensive profit or loss accounts shall follow the same basis applicable to the Company for direct disposal of related assets or liabilities of associates. For investment in associates that turns them into joint ventures or investment in joint ventures that turns them into associates, the Company shall continue to use the equity method and shall not reassess retained equity.

Profit or loss in upstream and downstream transactions between the Company and the associates or transactions between associates needs to be shown in the consolidated financial statements when not affecting the interests of the Company or the associate.

Additionally, investment profits and losses recognized for the intercompany stockholders of subsidiaries are acknowledge as the investment gains and losses of each subsidiary in accordance with conventional practice.

**i. Property, Plant and Equipment**

Property, plant and equipment are stated at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment under construction are recognized at costs less accumulated impairment losses. The costs shall include professional service expenses and the cost of loans eligible for capitalization. Such assets shall be classified into appropriate property, plant and equipment categories upon completion and reaching the expected use status and the depreciation shall begin.

The Company shall adopt the straight-line basis or the units of production method for the depreciation of each property, plant and equipment in its useful life based on the nature of such property. If the lease period is shorter than the service life, depreciation shall be provided during the lease period. The Company shall conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods. The effects of changes in accounting estimates shall be applied prospectively.

When derecognizing property, plant, and equipment, the difference between the net

disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

**j. Intangible Assets**

**(1) Acquired Separately**

Separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. The amortization of intangible assets within the useful life is in accordance with the straight-line method. The Company shall review the estimated useful life, residual value, and amortization method at least at the end of each year and defer the effect of any changes in applicable accounting estimates. Intangible assets with non-determined useful life are carried at cost less accumulated impairment losses.

**(2) Derecognition**

When intangible assets are derecognized, the difference between the net disposal price and the asset's carrying amount is recognized in current profit and loss.

**k. Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit of amortized goodwill is tested for impairment annually (and when there is an indication that the cash generating unit may be impaired) by comparing the carrying amount of the unit containing goodwill with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

At the time of disposal of related cash-generating units, the amount of goodwill related the disposition of the operation that is included in the carrying amount of operation will be determined and accounted as disposition of profits and losses.

**l. Impairment of Assets related to Property, Plant and Equipment, Right-of-Use Assets, Intangible Assets (except Goodwill) and Contract Costs**

On each balance sheet date, the Company reviews the carrying amounts of its property,

plant and equipment, right-of-use assets and intangible assets (except goodwill) to determine whether there is an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest group of cash-generating units in accordance with a reasonable and consistent allocation basis.

For intangible assets that have indefinite useful lives and are not yet available for use, impairment tests are conducted at least annually and when there are indications of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset, cash-generating unit, and contract cost related asset shall be increased to the revised recoverable amount, but the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) of the asset, cash generating unit, or contract cost related asset that was not impaired in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **m. Financial Instruments**

Financial assets and liabilities shall be recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

##### **(1) Financial assets**

Regular trading of financial assets shall be recognized and derecognized in accordance with transaction date accounting.

##### **(1.1) Measurement types**

Financial assets held by the Company are classified into these categories: financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, investment in debt instruments measured at fair value through other comprehensive gains and losses, and investments in equity instruments measured at fair value through other comprehensive profits and losses.

#### (1.1.1) Financial assets measured at fair value through profit and loss

This category includes financial assets that are mandatorily required to measure at fair value through profit or loss and designed to be measured at fair value through profit or loss.

The financial assets that are mandatorily required to measure at fair value through profit or loss include the equity instrument investment that is not specified to be measured at fair value through other comprehensive profits and losses, and investment in debt instruments that cannot meet the criteria of measuring assets at amortized cost or at fair value through other comprehensive profits and losses.

The designation as at fair value through profit or loss at the time of initial recognition is for eliminating or significantly reducing measurement or recognition inconsistencies.

Financial assets measured at fair value through profit and loss are measured at fair value. The dividends and interest generated are recognized in other income and interest income respectively, and the profit or loss generated by remeasurement is recognized in other benefits and losses. Please refer to Note 23 for the method of determining the fair value.

#### (1.1.2) Financial assets measured at amortized cost

The financial assets invested by the Company shall be classified as financial assets measured at amortized cost if both conditions below are met:

- (a) Where the financial asset is held under a certain business model with the purpose of holding financial assets to collect contract cash flow; and
- (b) The cash flow generated on specific dates specified in contractual terms is completely used to pay for the principal and interest for principal in external circulation.

After financial assets measured at amortized cost (including cash and cash equivalents, bills and accounts receivable measured at amortized cost) on initial recognition, they shall be measured through the effective interest rate approach to determine the total carrying amount minus the amortized cost of any impairment loss. All foreign currency exchange gains and losses shall be recognized in profit or loss.

Except for the two following conditions, income from interest shall be calculated based on the effective interest rate multiplied by the total carrying amount of financial assets:

- (a) The interest income of a credit-impaired financial asset purchased or provided for the founding is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

- (b) Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Credit impaired financial assets refer to the issuer or debtor who has experienced major financial difficulties, defaults, the debtor is likely to apply for bankruptcy or other financial reorganization, or the active market for that financial assets disappears due to financial difficulties.

Cash equivalents include time deposits with maximum maturity of 3 months from the date of acquisition, which are high liquid, can be converted into a fixed amount of cash at any time and have relatively low risk in price changes. They are used for satisfying short-term cash commitments.

- (1.1.3) Investment in debt instruments measured at fair value through other comprehensive profits and losses.

The debt instruments invested by the Company shall be classified as financial assets measured at fair value through other comprehensive profits and losses if both conditions below are met:

- (a) Where the financial asset is held under a certain business model with the purpose of collecting contractual cash flow and selling financial assets; and
- (b) The cash flow generated on specific dates specified in contractual terms is completely used to pay for the principal and interest for principal in external circulation.

The investment in debt instruments measured at fair value through other comprehensive profits and losses is measured at fair value. The changes in the carrying amount belong to the interest income calculated by the effective interest method. Foreign currency exchange gains and losses and impairment losses or reversal benefits are recognized in profit and loss. The remaining changes are recognized in other comprehensive profit and loss, and are reclassified as profit and loss at the time of investment disposal.

- (1.1.4) Investments in equity instruments measured at fair value through other comprehensive profits and losses

The Company may make an irrevocable choice on initial recognition and designate the investments in equity instruments that are not held for trading and not recognized by the acquirer of a business combination or having consideration to be measured at fair value through other comprehensive profits and losses.

Investments in equity instruments measured at fair value through other comprehensive profits and losses are subsequently measured at fair value with profits and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments at fair value through other comprehensive profits and losses are recognized in profit or loss when the rights of the Company to receive the dividends is established, unless the dividends clearly represent the recovery of part of the investment cost.

#### (1.2) Impairment of financial Assets and Contract Assets

On each balance sheet date, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and for investments in debt instruments that are measured at fair value through other comprehensive profits and losses.

The loss allowance for accounts receivable, lease receivable and contract assets receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss over the expected life of a financial instrument.

When the Company, for the purpose of internal credit risk management and without considering the collateral held, determines that the debtor is unable to pay off the debt in accordance with internal or external information, it means that financial asset has defaulted.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive profits and losses, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

#### (1.3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument at fair value through other comprehensive profits and losses, the difference between the carrying amount of the asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an

equity instrument at fair value through other comprehensive profits and losses, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## (2) Financial liabilities

### (2.1) Subsequent assessment

Except for the following circumstances, all financial liabilities are measured at amortized cost by the effective interest method.

#### Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss include held for trading and designated as at fair value through profit or loss.

Financial liabilities held for trading are measured at fair value and the interest incurred is recognized in financial costs. Other benefits or losses arising from remeasurement are recognized in other benefits and losses. Please refer to Note 23 for the method of determining the fair value.

### (2.2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non cash assets or liabilities assumed) shall be recognized in profit or loss.

## (3) Derivative Financial Instruments

The derivative instruments signed by the Company include forward foreign exchange contracts, interest rate swap and cross currency swap, used for interest rate and exchange rate risk management for the Company.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is signed and are subsequently remeasured at fair value on the balance sheet date. The benefits or losses arising from subsequent measurement are taken directly to profit or loss. However, for derivatives designated as effective hedging instruments, the point at which they are recognized in profit or loss will depend on the nature of the hedging relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

If derivative instruments are embedded in the host contract of an asset within the scope of IFRS 9, the overall contract determines the classification of financial assets. The derivative is treated as a stand-alone derivative if it is embedded in the host contract of an asset that is not within the scope of IFRS 9 (such as embedded in a financial liability host contract), meets the definition of a derivative, does not have risks and characteristics closely related to those of host contracts, and the mixed contracts are not measured at fair value through profit or loss.



## n. Revenue Recognition

After the Company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

### Commodity sales revenue

Revenue from sale of goods comes from customers who have the right to set prices and use the goods, have the main responsibility for resale, and bear the risk of obsolescence. The Company recognizes revenue and accounts receivable at this point.

While processing of materials supplied by the clients, the control of the ownership of processed products has not been transferred, so revenue is not recognized when receiving materials.

Property sales within the normal business scope are to collect fixed transaction prices in installments and recognize contract liabilities. After considering major financial components, the revenue is recognized when each property is completed and delivered to the buyer.

## o. Leases

The Company assesses whether the contract is (or contains) a lease on the date of contract establishment.

### (1) The Company as lessor

When the lease clause transfers almost all the risks and benefits incidental to ownership of the asset to the lessee, it is classified as a financial lease. All other leases are classified as operating leases.

In accordance with operating lease standards, lease payments after deduction of lease incentives are recognized as income on a straight-line basis over the relevant lease period. The original direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expenses on a straight-line basis during the lease term. Lease negotiation with the lessee is treated as a new lease from the effective date of lease modification.

Variable lease payments in lease agreement, that don't depend on indexes or rates, are recognized as income in the current period.

When the lease includes both land and building elements, the Company assesses whether almost all the risks and benefits incidental to the ownership of each element have been transferred to the lessee in order to assess the classification of each element as a financial lease or an operating lease.

Lease payments are apportioned to land and buildings based on the relative proportion of the fair value of the land and building lease rights on the date of

contract establishment. If the lease payment can be allocated reliably to these two elements, each element is treated according to the applicable lease classification. If the lease payment cannot be allocated reliably between the two elements, then the entire lease is classified as a finance lease. However, if both of these elements clearly meet the operating lease standards, the entire lease is classified as an operating lease.

## (2) The Company as lessee

Except for lease payments for low-value underlying asset leases and short-term leases that are subject to the applicable recognition exemption, the lease payments are recognized as expenses on a straight-line basis during the lease period, and other leases are recognized as the right-of-use asset and lease liability starting from commencement of the lease.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before commencement of the lease minus the lease incentives for compensation, the original direct cost and the estimated cost of restoring the underlying asset), and subsequently measured at the amount of cost minus accumulated depreciation and accumulated impairment losses, and adjust the remeasurement amount of the lease liability.

Right-of-use assets are depreciated on a straight-line basis from the commencement of the lease to the expiration of the useful life or the expiration of the lease term, whichever is earlier.

The lease liability is initially measured by the present value of lease payments (including fixed payments). If the implicit interest rate of the lease is easily determinable, the lease payment is discounted using that interest rate. If the interest rate is not easily determinable, the incremental borrowing rate of the lessee should be used.

Subsequently, the lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period. For lease modifications that are not treated as separate leases, the remeasurement of the lease liability due to lease scope reduction is to reduce the right-of-use asset and to recognize the profit and loss of the partial or full termination of the lease. The remeasurement of the lease liability due to other modifications is to adjust the right-of-use asset.

The Company negotiates with the lessor for COVID-19 related rent concessions for the adjustment of the rent due before June 30, 2021, resulting in a decrease in rent, and these negotiations did not significantly change other lease terms. The Company chooses to adopt practical expedients to deal with the rent negotiation that meets the aforementioned conditions without assessing whether the negotiation is a lease modification, but recognizes the reduction in lease payments in the profit and loss when the concession event or situation occurs, and relatively reduces the lease liability.

**p. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in net income in the period in which they are incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**q. Government Grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants related to income are recognized in the profit and loss on a systematic basis during the period when it is intended to compensate to the expenses accounted by the Company.

If the government grants are used to compensate for the expenses or losses that have occurred, or are for the purpose of providing immediate financial support to the Company and there are no future related costs, they are recognized in the profit and loss during the period when it can be received.

**r. Employee Benefits**

**(1) Short-term employee benefits**

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

**(2) Benefits after retirement**

Pension funds that are verified as contribution for retirement plans are recognized as expenses according to the amount of funds contributed to pension in the employee's service period.

The defined cost of benefits under the defined benefit retirement plan (including service cost, net interest, and the rereasurement amount) are calculated based on the projected unit credit method. The service cost (including the service cost of the current period and the net interest of the net defined benefit liabilities or assets) are recognized as employee benefit expenses as they occur. The rereasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It shall not be reclassified to profit or loss in subsequent periods.

The net defined benefit liabilities (assets) are the shortfall (surplus) of the defined benefit retirement plan. The net defined benefit assets may not exceed the present value of refund from the plan or reductions in future contributions.

LIHAO INVESTMENT Company Limited, LIZAN INVESTMENT Company Limited, LEA JIE ENERGY Company Limited and LIBOLON ENTERPRISE Company Limited adopt the method of definite appropriation for retirement.

**s. Treasury Shares**

The treasury shares are recognized at the purchase cost when LIHAO INVESTMENT Company Limited and LIZAN INVESTMENT Company Limited reacquired these company stocks. When disposing of treasury shares, the price difference generated by the treasury stock exchange is recognized in shareholders' equity.

LEALEA ENTERPRISE CORPORATION Limited acquires company stocks within the scope of the law. Before disposition or cancellation of the treasury shares, the costs of recovery or acquisition are listed as the deduction of the equity of shareholders.

When disposing of treasury shares, if the disposal price is higher than the carrying value, the difference is adjusted to capital reserve-treasury shares. If the disposal price is lower than the carrying value, the difference shall offset the capital reserve generated by the same type of treasury stock exchange. If it is insufficient, the retained earnings shall then be offset.

**t. Income Tax**

Income tax expense is the aggregate amount current tax and deferred tax.

**(1) Current income tax**

The Company determines the current income (loss) in accordance with the laws and regulations established by each income tax reporting jurisdiction, and calculates the payable (recoverable) income tax based on it.

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, and the annual recognition is determined in accordance with the resolution of the shareholders meeting.

Adjustments to income tax payable in previous years are included in current income tax.

**(2) Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the individual financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carry forwards or machinery and equipment purchased, and tax credits for research and development expenses and other expenses recognized when they are utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated

with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on every balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed on every balance sheet date and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted on every balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, on every balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

### (3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. If the current income tax or deferred income tax is generated from a business combination, the income tax impact is included in the accounting treatment of the business combination.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

In the application of the aforementioned Company's accounting policies, the management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The management shall review the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

### Critical Accounting Judgments Related to Associates

The Company holds 24.69% of the shares of Li Peng Enterprise Company Limited (hereinafter referred to as "Li Peng Enterprise") and is its single largest shareholder. The assessment of various indicators identifies that the Company does not have the right to lead the relevant activities of Li Peng Enterprise, cannot appoint more than half of the members of its governance unit, and therefore has no control over Li Peng Enterprise. As such, the management of the Company concludes that the Company only has a significant influence on Li Peng Enterprise and therefore listed it as an associate of the Company.

## **6. CASH AND CASH EQUIVALENTS**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and working fund	\$ 719	\$ 723
Bank cheques and demand deposits	131,320	114,913
Foreign currency deposits	111,247	122,064
Bank foreign currency time deposits with original maturity within 3 months	766,968	1,163,655
Short-term bill	<u>222,144</u>	<u>-</u>
	<u>\$ 1,232,398</u>	<u>\$ 1,401,355</u>

As of December 31, 2020, bank time deposits with an original maturity date of more than three months were NT\$332,186 thousand and accounted other current financial assets.

## **7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Mandatory to measure at fair value through profit and loss – Current</u>		
Non-derivative financial assets		
– Domestic publicly traded stocks	\$ 124,042	\$ 80,492
– Domestic open-end fund	<u>172,273</u>	<u>125,239</u>
	<u>\$ 296,315</u>	<u>\$ 205,731</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Mandatory to measure at fair value through profit and loss – Noncurrent</u>		
Non-derivative financial assets		
– Foreign non-publicly traded common stocks	\$ 373	\$ 373
– Domestic non-publicly traded common stocks	974	974
	<u>\$ 1,347</u>	<u>\$ 1,347</u>
<u>Financial liabilities at fair value through profit or loss – Current</u>		
Derivatives (not designated as hedging instrument)		
– Foreign exchange contract	<u>\$ -</u>	<u>\$ 30,298</u>

- (a) The foreign exchange contracts that did not apply hedge accounting and have not yet expired on the balance sheet date are as follows:

<u>December 31, 2019</u>			
<u>Currency</u>	<u>Expiration Date</u>	<u>Contract Amount</u>	<u>Exchange Rate</u>
US dollar to New Taiwan dollar	January 14, 2020 to Jan 21, 2020	US\$ 140,000 thousand/ NT\$ 4,229,100 thousand	30.18~30.25

The Company engages in exchange contract transactions to hedge the risks of exchange rate fluctuations associated with foreign currency assets and liabilities.

- (b) The current financial assets and liabilities at fair value through profit and loss in 2020 and 2019 are assessed as NT\$33,423 thousand in gains and NT\$18,302 thousand in losses.

## 8. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
At amortized cost		
Total carrying amount	\$ 61,389	\$ 130,824
Notes receivable -related parties	12,833	25,408
Less: Loss allowance	( 498 )	( 1,205 )
	<u>\$ 73,724</u>	<u>\$ 155,027</u>
Arising from operating activities	<u>\$ 73,724</u>	<u>\$ 155,027</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Account receivable</u>		
At amortized cost		
Total carrying amount	\$ 569,374	\$ 849,977
Account receivable -related Parties	141,084	115,331
Less: Loss allowance	( 5,886 )	( 4,849 )
	<u>\$ 704,572</u>	<u>\$ 960,459</u>

## Account Receivable

In principle, the payment term granted by the Company to customers is due 30 days to 180 days from the end of the month, and no interest is accrued on accounts receivable.

Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels with consideration of factors of historical loss ratios and customers' financial conditions, competitiveness and business outlook.

To lower the credit risk, the management of the Company appoints a dedicated team to handle decisions on credit limits, credit approval, and other monitoring procedures for ensuring that appropriate actions are taken to recover overdue receivables.

In addition, the Company would review the recoverable amount of each receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As such, the management of the Company concludes that the credit risk of the Company is significantly reduced.

The Company assesses the allowances for losses for notes and accounts receivable (excluding related parties) on balance sheet date as follows:

### December 31, 2020

	Within 30 days	31~60 days	61~90 days	91~120 days	Over 121 days	Total
Expected credit loss rate	0.5%~1%	0.5%~3%	0.5%~10%	0.5%~50%	0.5%~100%	
Total carrying amount	\$ 514,510	\$ 79,680	\$ 22,439	\$ 13,963	\$ 171	\$ 630,763
Loss allowance (expected credit loss over the period)	( <u>3,671</u> )	( <u>1,760</u> )	( <u>627</u> )	( <u>314</u> )	( <u>12</u> )	( <u>6,384</u> )
Amortized cost	<u>\$ 510,839</u>	<u>\$ 77,920</u>	<u>\$ 21,812</u>	<u>\$ 13,649</u>	<u>\$ 159</u>	<u>\$ 624,379</u>

### December 31, 2019

	Within 30 days	31~60 days	61~90 days	91~120 days	Over 121 days	Total
Expected credit loss rate	0.5%~1%	0.5%~3%	0.5%~10%	0.5%~50%	0.5%~100%	
Total carrying amount	\$ 643,211	\$ 166,617	\$ 80,862	\$ 67,490	\$ 22,621	\$ 980,801
Loss allowance (expected credit loss over the period)	( <u>3,699</u> )	( <u>1,703</u> )	( <u>356</u> )	( <u>250</u> )	( <u>46</u> )	( <u>6,054</u> )
Amortized cost	<u>\$ 639,512</u>	<u>\$ 164,914</u>	<u>\$ 80,506</u>	<u>\$ 67,240</u>	<u>\$ 22,575</u>	<u>\$ 974,747</u>

Information regarding changes in the allowance for losses of notes and Accounts receivable is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 6,054	\$ 12,323
Add: Provision for impairment loss of the current year	31	4,612
Less: Transfer to overdue receivable	-	( 10,900)
Add: Transfer from overdue receivable	301	-
Foreign currency translation difference	( <u>2</u> )	<u>19</u>
Balance, end of year	<u>\$ 6,384</u>	<u>\$ 6,054</u>



Please refer to Notes 14 and 25 for the amount of accounts receivable that the Company has pledged for loan guarantee.

## 9. INVENTORIES

(a) The inventory details related to textile business, retail business, and wholesale business are as follow:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Merchandise	\$ 188,308	\$ 119,314
Finished goods	841,565	1,432,126
Work in process	194,735	204,205
Raw materials	617,695	577,997
Inventory in transit	<u>211,207</u>	<u>145,084</u>
	<u>\$ 2,053,510</u>	<u>\$ 2,478,726</u>

As of 2020 and 2019, the costs of goods sold related to the inventories of textile business were NT\$7,528,159 thousand and NT\$10,413,385 thousand, respectively.

As of 2020 and 2019, the costs of goods sold related to the inventories of retail and wholesale businesses were NT\$ 466,648 thousand and NT\$789,134 thousand, respectively.

The costs of goods sold related to textile, retail, and wholesale businesses in 2020 and 2019 including inventory valuation loss and gains on inventory value recoveries of NT\$30,169 thousand and NT\$3,744 thousand, respectively.

As of December 31, 2020 and 2019, the allowances for reduction of inventory to market related to textile, retail, and wholesale businesses were NT\$165,327 thousand and NT\$198,188 thousand, respectively.

The profit from the increase in the net realizable value of inventories in 2020 was mainly from the disposal of the inventory that was originally listed as a loss for market price decline.

Please refer to Notes 14 and 25 for the amount that the Company sets as pledge for loan guarantee.

Due to the impact of the novel coronavirus epidemic, the relevant expenditures for the shutdown period of some production lines have been fully included as current costs.

(b) The inventory related to construction business:

The inventory of the construction business refers to parking spaces for sale, which are mechanical or flat parking spaces jointly held by Rich Development Company Limited, each accounting for one-half of the rights. As of December 31, 2020, the impairment provision has been made and the carrying value is NT\$ 0.

As of 2020 and 2019, the construction costs related to the inventories of construction

businesses were NT\$0 thousand and NT\$ 2,687 thousand, respectively.

The construction costs related to construction businesses in 2020 and 2019 included the gains on inventory value recoveries of NT\$0 thousand and NT\$2,760 thousand, respectively.

As of December 31 2020 and 2019, the allowance for reduction of inventory to market for the construction business was NT\$15,702 thousand.

As of 2019, gains on inventory value recoveries of the net realizable value of the inventories related to the construction business were NT\$2,760 thousand, which was caused by the sale of some houses and parking spaces for sale to non-related parties in 2019.

## 10. INVESTMENTS in SUBSIDIARIES

(a) The consolidated financial statements are mainly prepared by the entities as follows:

Investment Company Name	Subsidiary Name	Business Nature	Percentage of Equity Held	
			December 31, 2020	December 31, 2019
LEALEA ENTERPRISE	LIHAO INVESTMENT	Equity investment related business	53.38%	53.38%
LEALEA ENTERPRISE	LIZAN INVESTMENT	Equity investment related business	53.17%	53.17%
LEALEA ENTERPRISE	LEA JIE ENERGY	Coal wholesaling and retailing business	70.00%	70.00%
LEALEA ENTERPRISE	LIBOLON ENTERPRISE	Sporting and recreation goods wholesaling and retailing business	100.00%	100.00%
LEALEA ENTERPRISE	PT. INDONESIA LIBOLON FIBER SYSTEM	Manufacturing and sales of weaving, dyeing and finishing, processing of artificial fiber fabrics.	70.00%	70.00%
LEA JIE ENERGY	VIRTUE ELITE	Coal wholesaling and retailing business	65.00%	65.00%
LEALEA ENTERPRISE	LIBOLON ENERGY	Trading business of renewable-energy-based self-usage power generation equipment	(b)	-

(b) LIBOLON ENERGY Company Limited was established on February 2020. The Company acted as the promoter for the new investment in current period with original shareholding ratio as 55%, that was sold to the related party-LI PENG ENTERPRISE Company Limited on July 1, 2020 entirely.

(c) Among the subsidiaries included in the consolidated financial statements, the 2020 financial statement of PT. INDONESIA LIBOLON FIBER SYSTEM is audited by the other accountants instead of the certified accountant of the Company.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investment in Associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Significant associate		
LI PENG ENTERPRISE CO., LTD.	\$ 2,501,797	\$ 2,533,570
Individually insignificant associates	<u>2,472,653</u>	<u>2,219,900</u>
	<u>\$ 4,974,450</u>	<u>\$ 4,753,470</u>

#### (a) Significant associate

<u>Investee Company Name</u>	<u>Percentage of Equity and Voting Rights Held</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
LI PENG ENTERPRISE CO., LTD.	24.69%	25.11%

Please refer to "Information on Investees, Locations, etc." in Table 7 for information on the nature of business, its area of operations, and country of company registry of the above associates.

The information of the quoted price in active markets of associates, the level 1 fair value measurement, is as follows:

<u>Investee Company Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
LI PENG ENTERPRISE CO., LTD.	<u>\$ 2,037,037</u>	<u>\$ 1,605,167</u>
RICH DEVELOPMENT Co., LTD.	<u>\$ 544,319</u>	<u>\$ 546,911</u>

The Company adopts the equity method to measure all the above-mentioned associates.

The following summary financial information is prepared on the basis of each associate's consolidated financial statements in accordance with IFRSs, and has reflected the adjustments made when the equity method is adopted.

LI PENG ENTERPRISE CO., LTD.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 6,088,742	\$ 7,465,967
Noncurrent assets	11,241,168	10,213,716
Current liabilities	( 5,352,555 )	( 6,574,025 )
Noncurrent liabilities	( 2,258,701 )	( 1,511,665 )
Equity	9,718,654	9,593,993
Add: Treasury Stock Adjustment	432,404	432,404
	<u>\$ 10,151,058</u>	<u>\$ 10,026,397</u>
Shareholding ratio of the Group		
Company	24.69%	25.11%
Equity attributable to the Group		
Company	\$ 2,506,302	\$ 2,517,628
Unrealized profits and losses of upstream transactions	( 4,874 )	( 3,956 )
Other Adjustments	369	19,898
Investment carrying amount	<u>\$ 2,501,797</u>	<u>\$ 2,533,570</u>
Operating revenue	<u>\$ 10,369,775</u>	<u>\$ 14,452,347</u>
Net loss of this period	( \$ 429,571 )	( \$ 268,889 )
Other comprehensive income and loss	537,701	( 80,242 )
Total comprehensive income and loss	<u>\$ 108,130</u>	<u>( \$ 349,131 )</u>

(b) Summary information of individually insignificant associates

	<u>2020</u>	<u>2019</u>
Share of the Company		
Continuing operation		
Net income of this period	\$ 12,642	\$ 55,719
Other comprehensive income and loss	292,802	( 59,704 )
Total comprehensive income and loss	<u>\$ 305,444</u>	<u>( \$ 3,985 )</u>

The recognition of share for both the profits and losses of the Company's investments accounted for using the equity method and other comprehensive profits and losses is based on the financial statements of each associate audited by accountants during the same period. Among them, the financial statements of Rich Development Company Limited, Fuli Express Co., Ltd. and PT LONG JOHN INNOVATION MATERIAL are audited by the other accountants, instead of the Company's certified accountant.

Please refer to Note 14 and 25 for the investment amount related to associates that the Company set pledge as loan guarantee. However, the quota was not used on December 31, 2020 and 2019.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lands owned by the Company	\$ 2,321,329	\$ 2,432,559
Buildings	1,185,040	1,281,192
Machinery Equipment	2,550,083	2,842,724
Transportation Equipment	18,517	25,017
Other Equipment	207,881	254,480
Leased Assets	587,299	593,448
Equipment awaiting Examination	<u>141,125</u>	<u>61,249</u>
	<u>\$ 7,011,274</u>	<u>\$ 7,490,669</u>

	Lands used by the Company	Buildings	Machinery Equipment	Leased Assets	Transportation Equipment	Other Equipment	Equipment awaiting Examination	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 2,366,537	\$ 2,595,992	\$ 11,205,106	\$ 791,444	\$ 104,498	\$ 1,670,223	\$ 266,199	\$ 18,999,999
Additions	212	2,287	472,582	-	2,526	59,483	149,995	687,085
Disposals	-	( 8,133)	( 570,662)	-	( 2,293)	( 27,189)	-	( 608,277)
Net exchange differences	14,735	1,071	15,440	-	208	532	6,739	38,725
Transfers	<u>54,254</u>	<u>179,793</u>	<u>134,804</u>	<u>( 65,577)</u>	<u>621</u>	<u>56,731</u>	<u>( 361,684)</u>	<u>( 1,058)</u>
Balance at December 31, 2019	<u>\$ 2,435,738</u>	<u>\$ 2,771,010</u>	<u>\$ 11,257,270</u>	<u>\$ 725,867</u>	<u>\$ 105,560</u>	<u>\$ 1,759,780</u>	<u>\$ 61,249</u>	<u>\$ 19,116,474</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ 3,179	\$ 1,391,718	\$ 8,461,912	\$ 136,317	\$ 73,424	\$ 1,462,527	\$ -	\$ 11,529,077
Disposals	-	( 8,133)	( 569,965)	-	( 2,293)	( 27,182)	-	( 607,573)
Depreciation	-	98,979	519,654	-	10,374	70,667	-	699,674
Net exchange differences	-	1,177	2,945	-	107	398	-	4,627
Transfers	<u>-</u>	<u>6,077</u>	<u>-</u>	<u>( 3,898)</u>	<u>( 1,069)</u>	<u>( 1,110)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 3,179</u>	<u>\$ 1,489,818</u>	<u>\$ 8,414,546</u>	<u>\$ 132,419</u>	<u>\$ 80,543</u>	<u>\$ 1,505,300</u>	<u>\$ -</u>	<u>\$ 11,625,805</u>
Carrying amounts at December 31, 2019	<u>\$ 2,432,559</u>	<u>\$ 1,281,192</u>	<u>\$ 2,842,724</u>	<u>\$ 593,448</u>	<u>\$ 25,017</u>	<u>\$ 254,480</u>	<u>\$ 61,249</u>	<u>\$ 7,490,669</u>
<u>Cost</u>								
Balance at January 1, 2020	\$ 2,435,738	\$ 2,771,010	\$ 11,257,270	\$ 725,867	\$ 105,560	\$ 1,759,780	\$ 61,249	\$ 19,116,474
Additions	-	7,955	276,635	-	2,738	29,013	135,011	451,352
Disposals	-	( 3,337)	( 279,866)	-	( 3,927)	( 53,067)	-	( 340,197)
Net exchange differences	( 56,975)	( 23,156)	( 75,064)	-	( 790)	( 8,385)	( 4,202)	( 168,572)
Transfers	<u>( 54,255)</u>	<u>( 9,561)</u>	<u>37,748</u>	<u>-</u>	<u>-</u>	<u>3,379</u>	<u>( 50,933)</u>	<u>( 73,622)</u>
Balance at December 31, 2020	<u>\$ 2,324,508</u>	<u>\$ 2,742,911</u>	<u>\$ 11,216,723</u>	<u>\$ 725,867</u>	<u>\$ 103,581</u>	<u>\$ 1,730,720</u>	<u>\$ 141,125</u>	<u>\$ 18,985,435</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ 3,179	\$ 1,489,818	\$ 8,414,546	\$ 132,419	\$ 80,543	\$ 1,505,300	\$ -	\$ 11,625,805
Disposals	-	( 3,337)	( 276,756)	-	( 3,472)	( 51,144)	-	( 334,709)
Depreciation	-	88,664	547,919	6,149	8,488	72,027	-	723,247
Net exchange differences	-	( 6,104)	( 19,069)	-	( 495)	( 3,344)	-	( 29,012)
Transfers	<u>-</u>	<u>( 11,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 11,170)</u>
Balance at December 31, 2020	<u>\$ 3,179</u>	<u>\$ 1,557,871</u>	<u>\$ 8,666,640</u>	<u>\$ 138,568</u>	<u>\$ 85,064</u>	<u>\$ 1,522,839</u>	<u>\$ -</u>	<u>\$ 11,974,161</u>
Carrying amounts at December 31, 2020	<u>\$ 2,321,329</u>	<u>\$ 1,185,040</u>	<u>\$ 2,550,083</u>	<u>\$ 587,299</u>	<u>\$ 18,517</u>	<u>\$ 207,881</u>	<u>\$ 141,125</u>	<u>\$ 7,011,274</u>

(a) The property, plant, and equipment of the Company are depreciated on a straight-line basis based on the following durability years:

Buildings	
Office Building and Plant	25~40 years
Warehouse	10~25 years
Hydroelectric Engineering	10~20 years
Maintenance and Repair Engineering	3~10 years
Machinery Equipment	
Machinery Engineering	5~15 years
Electrical Engineering	5~9 years
Maintenance and Repair Engineering	2~5 years

Transportation Equipment	
Lifts and Elevators	10~15 years
Fork Lift and Pallet Truck	5~6 years
Other Equipment	
Power Equipment	9~15 years
Engineering Facilities	5~15 years
Other Facilities	5~10 years
Maintenance and Repair Engineering	2~5 years

(b) Please refer to Note 14 and 25 for the amount related to property, plant, and equipment that the Company set pledge as loan guarantee.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land, Buildings, and Machinery Equipment	<u>\$ 4,329,052</u>	<u>\$ 4,782,812</u>

(c) LEALEA ENTERPRISE signed a contract with a non-related party on August 2020 in order to sell the lands and buildings in Fangyuan Township, Changhua County. On December 31, 2020, the carrying amount was NT\$54,255 thousand classified under other current assets. The total contract amount is NT\$ 414,528 thousand, which is expected to generate a disposal benefit of NT\$360,273 thousand. As of December 31, 2020, NT\$124,358 thousand had been received in advance. Because the relevant disposal procedures have not been completed, the account is classified under other current liabilities.

### 13. LEASE ARRANGEMENTS

(a) Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Lands	\$ 720	\$ 1,192
Buildings	<u>12,552</u>	<u>18,465</u>
	<u>\$ 13,272</u>	<u>\$ 19,657</u>
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 3,365</u>	<u>\$ 10,921</u>
Depreciation of right-of-use assets		
Lands	\$ 180	\$ 60
Buildings	<u>9,565</u>	<u>9,526</u>
	<u>\$ 9,745</u>	<u>\$ 9,586</u>

(b) Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Current portion	\$ <u>4,203</u>	\$ <u>9,176</u>
Noncurrent portion	\$ <u>8,584</u>	\$ <u>10,219</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lands	1.4749%	1.4749%
Buildings	1.24%~8.75%	1.24%~3%

(c) Other lease information

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	\$ <u>16,768</u>	\$ <u>22,151</u>
Total cash outflow for leases	( \$ <u>26,907</u> )	( \$ <u>32,041</u> )

## 14. BORROWINGS

(a) Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured bank loans</u>		
Bank loans	\$ 300,000	\$ 1,243,267
<u>Unsecured bank loans</u>		
Credit limit loans	<u>1,450,000</u>	<u>920,000</u>
	<u>\$ 1,750,000</u>	<u>\$ 2,163,267</u>

The interest rates of bank revolving loans were 0.3394% to 0.868% and 0.6815% to 1.2136% as of December 31, 2020 and 2019, respectively.

The interest rates of secured bank loans were 0.82% and 0.96% to 4% on December 31, 2020 and 2019, respectively.

The short-term loans on December 31, 2020 and 2019 were collateral for property, plant and equipment. Please refer to Notes 12 and 25.

(b) Short-term bills payable—Commercial paper

		December 31, 2020	
Guarantee Agency		Interest Rate	Carrying Amount
<u>Unsecured</u>			
China Bills, Ta Ching Bills, MEGA Bills, TAIWAN Finance, International Bills, Grand Bills		0.36%~0.67%	\$ <u>770,000</u>
		December 31, 2019	
Guarantee Agency		Interest Rate	Carrying Amount
<u>Unsecured</u>			
China Bills		0.58%	\$ <u>110,000</u>

(c) Long-term loans

	Interest Rate	December 31, 2020	December 31, 2019
Long-term bank loans			
CHANG HWA COMMERCIAL BANK, LTD.			
The total amount of credit loans dated as August 15, 2017 to August 15, 2022 is NT\$800 million with interest paid monthly. The repayment of the first installment started on November 15, 2019. After that, every 3 months is one installment, and the principal will be amortized evenly in 12 installments.	1.4%~1.7%	\$ 116,667	\$ 183,334
CENTRAL BANK OF THE REPUBLIC OF CHINA (TAIWAN)			
The total amount of credit loans dated as August 15, 2017 to June 14, 2022 is NT\$500 million. The loan will be allocated once or in installments within two years after the contract, and the interest will be paid monthly. The repayment of the first installment started on December 14, 2019. After that, every 6 months is one installment, with a total of 6 installments. The repayment of the first 5 installments will be repaid NT\$80 million per installment. The sixth installment will be repaid NT\$100 million.	1.1945%~ 1.6543%	260,000	420,000

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	<u>Interest Rate</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
The EXPORT-IMPORT BANK OF THE REPUBLIC OF CHINA			
The total amount of credit loans dated as September 15, 2017 to September 15, 2022 is NT\$600 million. Five years from disbursement date, the interest must be made on the twenty-first day of every 3 months. The repayment of the first installment started on March 15, 2019. After that, every 6 months is one installment, and the principal will be amortized evenly in 8 installments.	1.1299%~ 1.3690%	275,000	425,000
MEGA INTERNATIONAL COMMERCIAL BANK CO. LTD.			
The total amount of mortgage loans for land, buildings, and machinery equipment dated as September 15, 2017 to September 15, 2022 is NT\$700 million, with interest paid per month. The extension period of each loan shall not exceed 180 days. Each loan shall be repaid at the expiration date and may be used in revolving.	1.2938%~ 1.492749%	343,000	441,000
BANK CENTRAL ASIA			
The total amount of mortgage loans for land, buildings, machinery equipment, accounts receivable, and inventories dated as April 5, 2018 to April 5, 2025 is US\$20.5 million, with interest paid per month. The repayment of the first installment started on May 5, 2019. After that, every month is one installment, and the principal will be amortized evenly in 72 installments. The loans are only limited to the purchase of machinery equipment, which was repaid in advance on June 2020.	3.75%~4.5%	\$ -	\$ 546,307
BANK CENTRAL ASIA			
The total amount of mortgage loans for land, buildings, machinery equipment, accounts receivable, and inventories dated as June 28, 2018 to June 28, 2025 is US\$6.324 million, with interest paid per month. The repayment of the first installment started on July 28, 2019. After that, every month is one installment, and the principal will be amortized evenly in 72 installments. The loans are only limited to the purchase of lands, which was repaid in advance on June 2020.	3.75%~4.5%	-	173,813

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	<u>Interest Rate</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
BANK CENTRAL ASIA			
The total amount of mortgage loans for land, buildings, machinery equipment, accounts receivable, and inventories dated as October 28, 2018 to October 28, 2025 is US\$3.176 million, with interest paid per month. The repayment of the first installment started on November 28, 2019. After that, every month is one installment, and the principal will be amortized evenly in 72 installments. The loans are only limited to the purchase of machinery equipment, which was repaid in advance on June 2020.	4.25%~ 4.5%	-	86,688
		994,667	2,276,142
Less: Portion of current liabilities due within one year		( <u>474,667</u> )	( <u>624,463</u> )
		<u>\$ 520,000</u>	<u>\$ 1,651,679</u>

The Company, in accordance with the provisions of the loan contract of Mega International Commercial Bank Co., Ltd., shall maintain a specific financial ratio in the consolidated financial statements audited by an accountant during the period of the loan. If the agreed financial ratio is not reached, the loan interest rate is calculated based on the agreed interest rate plus an annual interest rate of 0.15%. The description is as follows:

Current ratio, current assets divided by current liabilities, shall not be less than 100%. Debt ratio, total liabilities divided by total equity, shall not be higher than 110%. Interest protection multiple is a ratio calculated by dividing the net profit before tax plus interest expense plus depreciation plus amortization by the interest expense, that shall not less than 5 times.

Formula:

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

Debt ratio= (Total liabilities) / (Total equity)

Interest Protection Multiple = [(Net profit before tax + Interest expense + Depreciation + Amortization) / (Interest expense)]

PT. INDONESIA LIBOLON, in accordance with the provisions of the loan contract of the BANK CENTRAL ASIA, shall maintain a specific financial ratio in the annual financial statements audited by an accountant during the period of the loan, as explained below:

Debt ratio, interest-bearing liabilities divided by total equity, shall not be higher than 200%. Interest protection multiple is a ratio calculated by dividing the net profit before tax plus interest expense plus depreciation plus amortization by the interest expense, that shall not less than 1.25 times. Current ratio, current assets divided by current liabilities, shall not be less than 100%.

For collateral for long-term loans, please refer to Notes 12 and 25.

## 15. RETIREMENT BENEFIT PLANS

### (a) Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the “Act”) managed by the government is deemed a defined contribution plan. Pursuant to the Act, LEALEA ENTERPRISE CORPORATION Limited and its domestic subsidiaries have made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts.

Foreign subsidiaries allocate pension funds to relevant pension management projects in accordance with local laws and regulations.

### (b) Defined benefit plans

LEALEA ENTERPRISE CORPORATION Limited has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee’s length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by Bureau of Labor Funds (MOL); as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans, included in the consolidated balance sheet, were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 456,977	\$ 538,344
Fair value of plan assets	( <u>73,483</u> )	( <u>120,431</u> )
Net defined benefit liability	<u>\$ 383,494</u>	<u>\$ 417,913</u>

Movements in the present value of the net defined benefit liabilities or assets were as follows:

	<u>Present Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liability (Asset)</u>
Balance as of January 1, 2019	<u>\$ 506,404</u>	( <u>\$ 87,852</u> )	<u>\$ 418,552</u>
Service cost			
Prior service cost	2,778	-	2,778
Current service cost	13,103	-	13,103
Interest expense (income)	<u>11,582</u>	( <u>1,111</u> )	<u>10,471</u>
Recognized in profit and loss	<u>27,463</u>	( <u>1,111</u> )	<u>26,352</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	( 3,081 )	( 3,081 )
Actuarial loss (gain) arising from			
– Changes in demographic assumptions	200	-	200
– Changes in financial assumptions	26,563	-	26,563
– Experience adjustments	<u>2,583</u>	<u>-</u>	<u>2,583</u>

Components of defined benefit costs recognized in other comprehensive income	29,346	( 3,081 )	26,265
Contributions from employer	-	( 48,688 )	( 48,688 )
Benefits paid	( 27,671 )	20,301	( 7,370 )
Exchange difference	2,802	-	2,802
December 31, 2019	<u>\$ 538,344</u>	<u>( \$ 120,431 )</u>	<u>\$ 417,913</u>

Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)	
Balance as of January 1, 2020	\$ 538,344	( \$ 120,431 )	\$ 417,913
Service cost			
Current service cost	9,882	-	9,882
Interest expense (income)	10,433	( 984 )	9,449
Recognized in profit and loss	<u>20,315</u>	<u>( 984 )</u>	<u>19,331</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	( 3,602 )	( 3,602 )
Actuarial loss (gain) arising from			
— Changes in demographic assumptions	87	-	87
— Changes in financial assumptions	4,097	-	4,097
— Experience adjustments	<u>( 12,894 )</u>	<u>-</u>	<u>( 12,894 )</u>
Components of defined benefit costs recognized in other comprehensive income	( 8,710 )	( 3,602 )	( 12,312 )
Contributions from employer	-	( 21,295 )	( 21,295 )
Benefits paid	( 84,284 )	72,829	( 11,455 )
Exchange difference	( 8,688 )	-	( 8,688 )
December 31, 2020	<u>\$ 456,977</u>	<u>( \$ 73,483 )</u>	<u>\$ 383,494</u>

The amount of the defined benefit plans were recognized in profit or loss, according to the function categories summarized as follows:

	2020	2019
Cost of revenue	\$ 16,429	\$ 18,415
Marketing expenses	975	1,526
General and administrative expenses	1,686	6,085
Research and development expenses	241	326
	<u>\$ 19,331</u>	<u>\$ 26,352</u>

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks:

- (1) Investment risk: The pension funds are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds (MOL). However, the allocable amount of the plan assets shall be calculated no less than the average interest rate on a two-year time deposit published by the local banks.
- (2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation, but the return on debt investments of plan assets will increase accordingly, and both of them have the partial offset effect on the

influence of the net defined benefit liabilities.

- (3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.50%	0.75%
Long-term average salary increase rate	2.25%	2.25%

If reasonably possible changes occur in major actuarial assumptions while all other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increase by 0.25%	( \$ <u>10,705</u> )	( \$ <u>13,229</u> )
Decrease by 0.25%	<u>\$ 11,135</u>	<u>\$ 13,788</u>
Expected average salary increase rate		
Increase by 0.25%	<u>\$ 10,759</u>	<u>\$ 13,353</u>
Decrease by 0.25%	( <u>\$ 10,401</u> )	( <u>\$ 12,882</u> )

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected appropriation amount within 1 year	<u>\$ 41,120</u>	<u>\$ 21,532</u>
Average maturity period of defined benefit obligations	11.4 years	12.2 years

## 16. EQUITY

### (a) Capital

#### Common stocks

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands)	<u>1,200,000</u>	<u>1,200,000</u>
Authorized capital	<u>\$ 12,000,000</u>	<u>\$ 12,000,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>957,303</u>	<u>957,303</u>
Issued capital	<u>\$ 9,573,029</u>	<u>\$ 9,573,029</u>

- (1) As of December 31, 2020, the paid-in capital of the Company was NT\$9,573,029 thousand, divided into 957,302,942 shares, each with a par value of NT\$10, all of which were common stocks.
- (2) A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

### (b) Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Treasury share transactions	\$ 22,889	\$ 22,889
Changes in capital surplus of associates accounted for using equity method	51,015	55,617
Acquisition from the difference between the equity price and carrying amount of the subsidiaries)	<u>4,518</u>	<u>4,518</u>
	<u>\$ 78,422</u>	<u>\$ 83,024</u>

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, treasury stock transactions, and acquisition or disposition from the difference between the equity price and carrying amount of the subsidiaries) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. However, the capital replenishment is restricted to a certain ratio of paid-in capital each year.

The capital surplus from the investments accounted for using equity method may not be used for other purposes, except for a deficit offset.

### (c) Retained earnings and dividend policy

- (1) According to the regulations on earnings distribution in the Articles of Incorporation of the Company, in the event of surplus earnings after closing of annual accounts, losses incurred in preceding years shall be compensated first. Then, 10% of the remainder surplus shall be set aside as legal capital reserve in accordance with the law. However, in the event that the accumulated legal capital reserve is equivalent to or exceeds the Company's total paid-in capital, such allocation may be exempted. The

remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. If there are remaining earnings, the Board of Directors shall draft an earnings distribution proposal regarding the remainder of the earnings as well as accumulated undistributed surplus at the beginning of the year, at which the 0% to 100% distributable surplus may be set aside, for approval at the shareholders' meeting. Among them, the cash dividend shall not be less than 5% of the total dividend. However, if the cash dividend per share does not reach NT\$ 0.1, distribution of earnings may be made by way of stock dividend. Due to the volatile industrial environment and the development of diversification, the Board of Directors may have distribution of earnings to be made by way of stock dividend totally after considering the current operating conditions and the capital budget. Please refer to Note 17 (7) Employee remuneration and remuneration for Directors and Supervisors for the distribution policy for remuneration for employees, Directors, and Supervisors in the Articles of Incorporation of the Company.

- (2) The appropriation of 2018 earnings has been approved by the shareholders of the Company in its meeting held on June 12, 2019. The appropriation and cash dividends per share were as follows:

	Appropriation of Earnings <u>2018</u>	Cash dividends per share (NT\$) <u>2018</u>
Legal capital reserve	\$ 41,559	\$ -
Cash dividends to shareholders	382,921	0.4

The Company held a general shareholders' meeting on June 18, 2020, and decided not to distribute 2019 appropriation of earnings.

The Company appropriates and reverses special surplus reserve in accordance with the regulations in Jin-Guan-Zheng-Fa's Letter No. 1010012865, No. 1010047490, and No. 1030006415 issued by the Financial Supervisory Commission (FSC), and "Q&A on the Applicability of the Appropriation of Special Surplus Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)".

The legal capital reserve is supplemented until the balance equals the Company's total paid-in capital. The legal capital reserve may be used to make up for losses. When the Company has no loss, the portion of the legal capital reserve that exceeds 25% of the total paid-in capital may be appropriated in cash in addition to being transferred to capital stock.

(d) Non-controlling interests

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,025,635	\$ 1,139,827
Shares attributable to non-controlling interests		
Net income (loss) in this period	( 67,384 )	( 116,006 )
Adjustments to share changes in capital surplus of associates, accounted for using equity method	( 3,727 )	766
Share of other comprehensive profits (loss) of associates, accounted for using equity method	486	1,011

Financial assets at fair value through other comprehensive profit or loss	-	4,164
Non-controlling interests increased by cash capital growth of subsidiaries	267,660	22
Acquisition of cash dividends from the subsidiaries	( 4,166 )	( 5,692 )
Acquisition of increased non-controlling interests of the subsidiaries	450	1,543
Disposition of the decreased non-controlling interests of the subsidiaries	( 397 )	-
Balance, end of year	<u>\$ 1,218,557</u>	<u>\$ 1,025,635</u>

(e) Treasury stocks

The changes in the number of treasury shares of the Company in 2020 and 2019 are illustrated below:

2020				
Withdrawal Reason	Number of Shares, Beginning of Year	Increase in Current Period	Decrease in Current Period	Number of Shares, End of Year
Shares of parent company held by subsidiaries	<u>10,774,028</u>	<u>-</u>	<u>-</u>	<u>10,774,028</u>
2019				
Withdrawal Reason	Number of Shares, Beginning of Year	Increase in Current Period	Decrease in Current Period	Number of Shares, End of Year
Shares of parent company held by subsidiaries	<u>10,774,028</u>	<u>-</u>	<u>-</u>	<u>10,774,028</u>

The purpose of holding the Parent Company's shares by the subsidiaries is to protect shareholders' rights and interests. The relevant information is illustrated below:

Name of Subsidiary	Number of Shares Held	Transfer Amount of Treasury Stock
<u>December 31, 2020</u>		
LIHAO INVESTMENT Company Limited	4,672,653	\$ 11,842
LIZAN INVESTMENT Company Limited	6,101,375	16,628
		<u>\$ 28,470</u>
Name of Subsidiary	Number of Shares Held	Transfer Amount of Treasury Stock
<u>December 31, 2019</u>		
LIHAO INVESTMENT Company Limited	4,672,653	\$ 11,842
LIZAN INVESTMENT Company Limited	6,101,375	16,628
		<u>\$ 28,470</u>



The Company accounted NT\$28,470 thousand in treasury stocks on December 31, 2020 and 2019, that is the amount of parent company shares held by LIHAO INVESTMENT Company Limited and LIZAN INVESTMENT Company Limited and transferred as treasury stocks. The transfer amount has been adjusted in accordance with the comprehensive shareholding ratio of the Company in its subsidiaries. The market price of the Company on December 31, 2020 was NT\$13.2 per share.

The treasury stocks held by the Company shall not be pledged in accordance with the provisions of the Securities Exchange Law, nor shall it entitled to the rights of dividend distribution and voting. The shares held by LIHAO INVESTMENT and LIZAN INVESTMENT are treated as treasury stocks, except that they are not allowed to participate in the cash capital increase of the Company and have no voting rights, and the rest of rights are the same as general shareholders'.

## 17. INCOME FROM CONTINUING OPERATIONS

### (a) Interest income

	<u>2020</u>	<u>2019</u>
Interest income		
Bank deposits	\$ 28,655	\$ 51,604
Interest on borrowings of related parties	680	995
Interest income — Others	<u>2,287</u>	<u>3,757</u>
	<u>\$ 31,622</u>	<u>\$ 56,356</u>

### (b) Other income

	<u>2020</u>	<u>2019</u>
Rental income		
Rental income from operating lease	\$ 53,864	\$ 49,910
Dividend income	3,920	1,620
Others (Please refer to Note 27.)	<u>75,918</u>	<u>29,344</u>
	<u>\$ 133,702</u>	<u>\$ 80,874</u>

### (c) Other gains and losses

	<u>2020</u>	<u>2019</u>
Gains (losses) on disposal of property, plant and equipment	(\$ 2,049)	\$ 4,506
Foreign exchange losses (gains), net	( 240,286)	( 21,618)
Gains (losses) on financial assets and financial liabilities at fair value through profit or loss	33,423	( 18,302)
Gains (losses) on disposal of investments	( 22,203)	1,860
Other losses	<u>( 17,766)</u>	<u>( 11,919)</u>
	<u>(\$ 248,881)</u>	<u>(\$ 45,473)</u>

### (d) Finance costs

	<u>2020</u>	<u>2019</u>
Interest on bank loans	\$ 48,390	\$ 82,843
Interest on borrowings from related parties	6,059	2,328
Finance expenses	2,060	3,965
Interests on lease liabilities	429	419
Others	<u>2,804</u>	<u>2,782</u>
	<u>\$ 59,742</u>	<u>\$ 92,337</u>

Capitalization of interest related information is as follows:

	<u>2020</u>	<u>2019</u>
Capitalized interest amount	\$ 2,238	\$ 6,693
Capitalized interest rate	1.280413%~ 3.63%	1.469925%~ 4.375%

(e) Depreciation and Amortization

	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 723,247	\$ 699,674
Right-of-use assets	9,745	9,586
Amortization expense (Including the amortization for other intangible assets and prepayments)	<u>57,020</u>	<u>75,738</u>
Total	<u>\$ 790,012</u>	<u>\$ 784,998</u>

	<u>2020</u>	<u>2019</u>
Depreciation expenses summarized by function		
Costs of Revenue	\$ 689,493	\$ 671,336
Operating expenses	36,503	30,441
Non-operating expenses	<u>6,996</u>	<u>7,483</u>
	<u>\$ 732,992</u>	<u>\$ 709,260</u>

Amortization expenses summarized by the function		
Costs of Revenue	\$ 54,007	\$ 74,638
Operating expenses	2,950	1,100
Non-operating expenses	<u>63</u>	<u>-</u>
	<u>\$ 57,020</u>	<u>\$ 75,738</u>

(f) Employee benefits expenses

	<u>2020</u>		
	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>
Salary and Wages	\$ 530,854	\$ 116,076	\$ 646,930
Labor and health insurance expenses	56,644	9,414	66,058
Pension expenses			
Defined contribution plan	15,917	3,364	19,281
Defined benefit plan (Note 15)	<u>16,429</u>	<u>2,902</u>	<u>19,331</u>
	32,346	6,266	38,612
Compensation to directors	-	4,484	4,484
Other employee benefits	<u>42,709</u>	<u>6,157</u>	<u>48,866</u>
Total employee benefit expenses	<u>\$ 662,553</u>	<u>\$ 142,397</u>	<u>\$ 804,950</u>

	2019		
	Operating Costs	Operating Expenses	Total
Salary and Wages	\$ 603,602	\$ 131,682	\$ 735,284
Labor and health insurance expenses	61,745	9,683	71,428
Pension fund expenses			
Defined contribution plan	16,804	3,398	20,202
Defined benefit plan (Note 15)	<u>18,416</u>	<u>7,936</u>	<u>26,352</u>
	35,220	11,334	46,554
Compensation to directors	-	5,685	5,685
Other employee benefits	<u>53,148</u>	<u>8,574</u>	<u>61,722</u>
Total employee benefit expenses	<u>\$ 753,715</u>	<u>\$ 166,958</u>	<u>\$ 920,673</u>

(g) Profit sharing bonus to employees and Compensation to directors

According to the Company's Articles of Incorporation, the Company accrued profit sharing bonus to employees and compensation to directors based on net income before income tax of current year and shall appropriate profit sharing bonus to employees and compensation to directors of the Company no less than 2% and no more than 5% of annual profits before tax during the period, respectively.

The Company's profit sharing bonus to employees and compensation to directors for 2019 had been approved by the Board of Directors on March 27, 2020, as illustrated below:

Estimated ratio

	2019
Profit sharing bonus to employees	2%
	2%

Amount

	2019
	Cash
Profit sharing bonus to employees	\$ 2,002
Compensation to directors	2,002

As the Company had accumulated losses in 2020, it did not estimate the profit sharing bonus to employees and compensation to directors.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the approved amounts of profit sharing bonus to employees and compensation to directors of 2019 and 2018 and the amounts recognized

in individual financial statements of 2019 and 2018, respectively.

The information about the appropriations of the Company's profit sharing bonus to employees and compensation to directors approved by the Board of Directors is available at the Market Observation Post System website of Taiwan Stock Exchange.

## **18. INCOME TAX OF CONTINUING OPERATION**

(a) Income tax expense (benefits) recognized in profit or loss consisted of the following:

	<u>2020</u>	<u>2019</u>
Current income tax		
Current tax expense recognized in the current year	\$ 11,953	\$ 59,909
Additional income tax on unappropriated earnings	-	10
Land value increment tax	-	960
Income tax adjustments on prior years	( <u>4,060</u> )	( <u>2,220</u> )
	<u>7,893</u>	<u>58,659</u>
Deferred income tax		
Expense recognized in the current year	( \$ 46,846 )	\$ 7,170
Changes in tax rates	<u>4,086</u>	-
	( <u>42,760</u> )	<u>7,170</u>
Income tax expense recognized in profit or loss	( <u>\$ 34,867</u> )	<u>\$ 65,829</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	<u>2020</u>	<u>2019</u>
Income tax expense at the statutory rate for income before tax	( \$ 117,563 )	( \$ 42,749 )
Tax effect of adjusting items		
Investment losses accounted for using equity method	37,609	60,415
Gains on valuation of financial asset	( 624 )	( 1,625 )
Tax-exempt income	( 3,682 )	( 10,712 )
Realized investment losses	-	( 214 )
Others	13,772	13,100
Unrecognized operating losses	35,595	48,864
Adjustments to income tax expense recognized in the prior year	( 4,060 )	( 2,220 )
Additional income tax on unappropriated earnings	-	10
Changes in tax rates	4,086	-
Land Value Increment Tax	-	960
Current income tax (benefits) expense	( <u>\$ 34,867</u> )	<u>\$ 65,829</u>

(b) Current income tax liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current income tax liabilities		
Income tax payable	\$ 6,233	\$ 53,138
Add: Income tax payable in the prior years	-	2,458
Less: Income tax withholding in the current period	( <u>109</u> )	( <u>7,818</u> )
	<u>\$ 6,124</u>	<u>\$ 47,778</u>

(c) Deferred income tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Deferred income tax assets</u>		
Temporary differences		
Pension funds over limited	\$ 5,621	\$ 8,461
Allowance for valuation loss of idle assets	37	127
Allowance for reduction of inventory to market	35,914	45,753
Defined benefit pension plan	38,272	34,439
Unused vacation bonus	3,376	3,402
Unrealized exchange losses	9,397	6,769
Others	10,908	13,634
Net operating loss Carryforwards	<u>56,614</u>	<u>-</u>
	<u>\$ 160,139</u>	<u>\$ 112,585</u>
<u>Deferred income tax liabilities</u>		
Reserve for land revaluation increment tax	\$ 96,653	\$ 96,653
Unrealized exchange gains	263	-
Others	<u>15,487</u>	<u>-</u>
	<u>\$ 112,403</u>	<u>\$ 96,653</u>

(d) Relevant information regarding unused net operating loss carryforwards

As of December 31, 2020, the relevant information about net operating loss carryforwards is as follows:

Undeducted Balance	<u>                    </u>	<u>Last Year of Deduction</u> 2030
\$ 288,937		

- (e) Deductible amount of the unused net operating loss carryforwards for deferred income tax assets unrecognized in consolidated financial statements

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Net operating loss carryforwards		
Due on 2030	\$ 6,671	\$ -
Due on 2029	9,703	9,703
Due on 2028	15,016	15,016
Due on 2027	32,371	32,371
Due on 2026	39,076	39,076
Due on 2025	199,779	199,779
Due on 2024	271,812	271,812
Due on 2023	283,580	283,580
Due on 2022	249,632	249,632
Due on 2021	59,819	59,819
	<u>\$ 1,167,459</u>	<u>\$ 1,160,788</u>

- (f) Income tax examination

The tax authorities have examined the profit-seeking enterprise annual income tax returns of LEALEA ENTERPRISE CORPORATION Limited, LIHAO INVESTMENT Company Limited, LIZAN INVESTMENT Company Limited, LEA JIE ENERGY Company Limited, LIBOLON ENTERPRISE Company Limited, and PT. INDONESIA LIBOLON FIBER SYSTEM through 2018.

## **19. BASIC AND DILUTED EARNINGS PER SHARE (OPERATING LOSSES)**

Earnings per share (EPS) are computed as follows:

	<u>Amounts (Numerator)</u>				<u>Earnings (Losses) Per Share (NT\$)</u>		
	Before Tax (Minority interest undeducted)	After Tax (Minority interest undeducted)	Net profit (loss) for the current period (Attributable to shareholders of the parent)	Number of Shares (Denominator) (In thousands)	Before Tax (Minority interest undeducted)	After Tax (Minority interest undeducted)	Net profit (loss) for the current period (Attributable to shareholders of the parent)
<u>Year Ended December 31, 2020</u>							
Basic EPS							
Current losses attributable to common shareholders, net	(\$ 459,695)	(\$ 424,828)	(\$ 357,444)	951,565	(\$ 0.48)	(\$ 0.45)	(\$ 0.38)
<u>Year Ended December 31, 2019</u>							
Basic EPS							
Current profits (losses) attributable to common shareholders	\$ 2,411	(\$ 63,418)	\$ 52,588	951,565	\$ 0.003	(\$ 0.07)	\$ 0.06
Dilutive effect of potential ordinary share							
Profit sharing bonus to employees	-	-	-	456			
Diluted EPS							
Current profits (losses) attributable to common shareholders plus dilutive effect of potential ordinary share	\$ 2,411	(\$ 63,418)	\$ 52,588	952,021	\$ 0.003		\$ 0.06

If the Company may settle the profit sharing bonus to employees by the way of stock or cash, then in order to calculate the diluted earnings per share (EPS), the Company should presume that the profit sharing bonus to employees will be settled in the form of stocks and add the potential ordinary share dilution should be included in the weighted average number used in the calculation of diluted EPS if the shares have a dilutive effect.

Before settling the number of share issued for profit sharing bonus to employees in next year, the dilutive effect of potential ordinary share will be continually considered when calculating the diluted EPS.

## **20. DISPOSAL OF SUBSIDIARIES**

On July 2020, the Company signed an agreement to dispose LIBOLON ENERGY Company Limited, which is mainly engaged in the trading business of renewable-energy-based self-usage power generation equipment. The Company completed the disposal on July 1, 2020, and lost control of the subsidiary.

### (a) Acquisition of consideration

	<u>LIBOLON ENERGY Company Limited</u>
Total acquisition of consideration—Cash	<u>\$ 550</u>

### (b) Analysis on loss of control of assets and liabilities

	<u>LIBOLON ENERGY Company Limited</u>
Current assets	
Cash and cash equivalents	\$ 942
Other current assets	1
Current liabilities	
Other payables	( 60 )
Disposal of net assets	<u>\$ 883</u>

### (c) Gains on disposal of subsidiaries

	<u>LIBOLON ENERGY Company Limited</u>
Acquisition of consideration	\$ 550
Disposal of net assets	( 883 )
Non-controlling interests	<u>397</u>
Gains on disposal	<u>\$ 64</u>

### (d) Net cash flows from disposal of subsidiaries

	<u>LIBOLON ENERGY Company Limited</u>
Acquisition of consideration in cash and cash equivalents	\$ 550
Less: Disposal of cash and cash equivalents balance	( 942 )
	<u>( \$ 392 )</u>

## **21. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS**

(a) On March 18, 2019, the Company subscribes to additional shares in LIBOLON ENTERPRISE Company Limited at a percentage different from its existing ownership percentage. As a result, its shareholding ratio in the company is increased from 90.78% to 100%.

(b) On February 27, 2019, the Company subscribes to additional shares in VIRTUE ELITE

Limited at a percentage different from its existing ownership percentage. As a result, its shareholding ratio in the company is decreased from 100% to 65%.

Since the above transactions did not change the Company's control over these subsidiaries, the Company treated them as equity transactions, and the difference of the equity transaction was calculated as NT\$1,543 thousand, recognized as the deduction of capital reserve.

## **22. CAPITAL RISK MANAGEMENT**

Under the premise that the companies in the group are ensured to be operated continually, the Company manages its capital through optimizing the balance of the liabilities and equity for maximizing the shareholders' return on equity. The Company's overall strategy has not changed.

The Company does not have to comply with other external capital regulations.

## **23. FINANCIAL INSTRUMENTS**

(a) Information on fair value and categories of financial instruments

(1) Fair value information – financial instruments not measured by fair value

The management of the Company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value are close to their fair values or their fair values cannot be measured reliably.

(2) Fair value information – financial instruments measured at fair value on a repeatability basis

### December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	<u>\$ 296,315</u>	<u>\$ -</u>	<u>\$ 1,347</u>	<u>\$ 297,662</u>

### December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	<u>\$ 205,731</u>	<u>\$ -</u>	<u>\$ 1,347</u>	<u>\$ 207,078</u>
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 30,298</u>	<u>\$ -</u>	<u>\$ 30,298</u>

No transfer has occurred between level 1 and level 2 of the fair value hierarchy in 2020 and 2019.



(3) The valuation techniques and the inputs used in Level 2 fair value measurement

Categories of Financial Instruments	Valuation Techniques and the Inputs
Derivatives – Foreign Exchange Contract	Discounted cash flow (DCF) method: Estimate the future cash flow based on the observable exchange rate and the exchange rate set in the contract at the end of the period, and discount them separately at a discount rate that can reflect the credit risk of each counterparty.

- (4) The valuation techniques and the inputs used in Level 3 fair value measurement  
Unlisted and Non-OTC equity investments have adopted the asset-based valuation approach and to report the overall value of the investment target in accordance with the total value of individual assets and individual liabilities.

(5) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
At fair value through profit or loss		
at fair value through profit or loss, mandatorily measured at fair value	\$ 297,662	\$ 207,078
Carried at amortized cost	2,546,158	2,675,503
<u>Financial liabilities</u>		
At fair value through profit or loss		
loss		
Held for trading	-	30,298
Carried at amortized cost	4,936,982	5,631,201

- (6) The net profit from the operation of financial derivatives in 2020 is NT\$30,092 thousand, which is respectively NT\$0 thousand for unsettled losses and NT\$30,092 thousand for settled gains, which are accounted for as non-operating income and expenses. The net profit from the operation of financial derivatives in 2019 is NT\$34,915 thousand, which is respectively NT\$30,298 thousand for unsettled losses and NT\$65,213 thousand for settled gains, which are accounted for as non-operating income and expenses.

(7) Financial risk management objectives and policy

The principal financial instruments applied by the Company include equity and liability investments, bank loans, account receivable, account payable, etc. The finance management department of the Company provides services to business units and coordinates operations in the domestic and overseas financial markets by supervising internal risk exposure reports and managing financial risks related to the operations of the Company in accordance with the risk level and breadth analyses. Such risks are consist of market risks that includes exchange rate risk, interest rate risk and other price risk, credit risks, and liquidity risks.

The Company applies derivative financial instruments to hedge risks for mitigating risk impacts. The derivative financial instruments applied is regulated by the policies approved by the Board of Directors of the Company, which are written principles for exchange rate risk, interest rate risk, credit risk, the utilization of derivative and non-derivative financial instruments, and the investment of remaining circulating capital. Internal auditors continue to review compliance with policies and the risk exposure limit. The Company did not trade financial instruments (including derivative financial instruments) for speculative purposes.

#### (7.1) Market risks

The principal financial risks that the Company bears for operating activities are foreign currency fluctuation risk and interest rate fluctuation risk.

The Company engages in various derivative financial instruments to manage foreign currency exchange rate risks, including the utilization of forward exchange contract to hedge currency exchange rate risks associated with exports.

The Company's exposures to financial instrument market risks and its management and measurement methods have not changed

#### Sensitivity Analysis

The Company conducts risk measurement for the position of the foreign currency financial assets and liabilities that has significant impacts to the Company after considering the net position of the unexpired cross currency swap contracts foreign exchange swap contracts.

The Company is mainly affected by fluctuations in the exchange rate of the U.S. dollar.

The sensitivity analysis only included circulating monetary items denominated in foreign currencies and adjusted the translation at the end of year to a 1% change in exchange rate. In the table below, a positive number represented an increase in income before income tax when New Taiwan dollar (functional currency) depreciated by 1%. The impact on income before income tax would be of the same amount in negative when New Taiwan dollar (functional currency) appreciated by 1%.

December 31, 2020

	Foreign Currency	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$) (In Thousands)	Sensitivity Analysis	
					Variation	Profit and Loss Impact
<u>Financial Assets</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	\$ 21,228,098	\$ 21,228	28.48	\$ 604,576	1%	\$ 6,046
<u>Non-monetary items</u>						
US Dollar to New Taiwan Dollar	96,149	96	28.48	2,738	1%	27
<u>Financial Liability</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	17,600,025	17,600	28.48	501,249	1%	( 5,012)

December 31, 2019

	Foreign Currency	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$) (In Thousands)	Sensitivity Analysis	
					Variation	Profit and Loss Impact
<u>Financial Assets</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	\$ 30,407,444	\$ 30,407	29.98	\$ 911,615	1%	\$ 9,116
<u>Non-monetary items</u>						
US Dollar to New Taiwan Dollar	96,149	96	29.98	2,883	1%	29
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	\$41,003,200	\$ 41,003	29.98	\$ 1,229,276	1%	(\$ 12,293)
<u>Non-monetary items</u>						
<u>Derivatives</u>						
US Dollar to New Taiwan Dollar	140,000,000	140,000	29.98	30,298	1%	( 303)

## (7.2) Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company always requires the provision of collateral or other guarantee rights from major transaction partners. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

## (7.3) Liquidity risks

The Company supports its business operations and reduces the impact of cash flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. The management of the Company has supervised bank financing conditions and ensured compliance with loan contracts.

Financing and loans from banks are regarded as an important source for maintaining liquidity for the Company. As of December 31, 2020 and 2019, the unspent quota of

short-term bank financing, including opening quota for letter of credit (L/C) of the Company was NT\$6,092,397 thousand and NT\$6,837,840 thousand, respectively.

(7.3.1) Maturity analysis of non-derivative financial liabilities

The maturity analysis of remaining contracts of non-derivative financial liabilities is based on the earliest possible date on which the Company may be required to make repayments and the undiscounted cash flows of financial liabilities (including principal and estimated future interest). Therefore, the Company may be requested to immediately return bank loans in the earliest period specified in the table below without considering the probability of bank's immediate execution of such rights. Maturity analysis of other non-derivative financial liabilities shall be prepared in accordance with the agreed repayment date. The analysis is as follows:

December 31, 2020

Non-derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
Short-term loans	\$ 1,750,000	\$ -	\$ -	\$ -
Short-term bills payable	770,000	-	-	-
Notes payable (including related parties)	9,463	-	-	-
Accounts payable (including related parties)	603,746	-	-	-
Other payables (including related parties)	305,518	-	-	-
Advance loans to related parties	502,794	-	-	-
Long-term loans (including due within one year or one operating cycle)	474,667	520,000	-	-
Guarantee deposits	1,657	-	-	-
Lease liabilities	4,536	3,891	5,273	-
Other non-current liabilities	126	308	360	-
	<u>\$ 4,422,507</u>	<u>\$ 524,199</u>	<u>\$ 5,633</u>	<u>\$ -</u>

December 31, 2019

Non-derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
Short-term loans	\$ 2,163,267	\$ -	\$ -	\$ -
Short-term bills payable	110,000	-	-	-
Notes payable (including related parties)	9,333	-	-	-
Accounts payable (including related parties)	561,299	-	-	-
Other payables (including related parties)	326,476	-	-	-
Advance loans to related parties	184,000	-	-	-
Long-term loans (including due within one year or one operating cycle)	624,463	997,464	596,390	57,825
Guarantee deposits	1,748	-	-	-
Lease liabilities	9,541	3,416	7,339	-
Other non-current liabilities	-	-	324	360
	<u>\$ 3,990,127</u>	<u>\$ 1,000,880</u>	<u>\$ 604,053</u>	<u>\$ 58,185</u>

(7.3.2) Liquidity of derivative financial liabilities

For liquidity analysis of derivative financial instruments, net settled derivatives are prepared in accordance with inflows and outflows of net cash of undiscounted contract and gross settled derivatives are prepared in accordance with inflows and outflows of total cash of undiscounted contract.

December 31, 2020

Derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
<u>Net settlement</u>				
Foreign exchange swap	\$ -	\$ -	\$ -	\$ -

December 31, 2019

Derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
<u>Net settlement</u>				
Foreign exchange swap	\$ 30,298	\$ -	\$ -	\$ -

**24. RELATED PARTY TRANSACTIONS**

Intercompany transactions, account balances, income and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. Except the items disclosed in the note, the following is a summary of transactions between the Company and other related parties:

(a) Name and relationship of related parties

Related Party Name	Relationship with the Company
LI PENG Enterprise Co., Ltd.	Associate
LEALEA Technology Co., Ltd.	Associate
Rich Development Co., Ltd.	Associate
FU LI Express Co., Ltd.	Associate
LI MAO Investment Co., Ltd.	Associate
LI XING Investment Co., Ltd.	Associate
HONG XING Investment Co., Ltd.	Associate
LI LING Film Co., Ltd.	Associate
DONG TING Investment Co., Ltd.	Substantive related party
LIBOLON (Shanghai) International Trading Co., Ltd	Substantive related party
LIBOLON International Corp.	Substantive related party
LIBOLON Energy Co., Ltd.	Substantive related party (A subsidiary before June 30, 2020)
ETON Petrochemical Co., Ltd.	Substantive related party

(b) Net revenue

Related Party Category/Name	2020	2019
Associates	\$ 747,583	\$ 1,048,214
Other related parties	188,851	302,078
	<u>\$ 936,434</u>	<u>\$ 1,350,292</u>

The Company's sales to associates and other related parties were not significantly different from the general transactions.

(c) Purchases

Related Party Category/Name	2020	2019
Associates		
LI PENG Enterprise Co., Ltd.	\$ 587,862	\$ 527,802
Others	4,506	1,307
Other related parties	<u>4,685</u>	<u>14,760</u>
	<u>\$ 597,053</u>	<u>\$ 543,869</u>

The Company's purchases from associates and other related parties were not significantly different from the general transactions.

(d) Receivables from related parties (excluding loans to related parties)

Item	Related Party Category/Name	December 31, 2020	December 31, 2019
Accounts receivable	Associates		
	LI PENG Enterprise Co., Ltd.	\$ 73,767	\$ 77,172
	Others	2,358	1,187
	Other related parties	<u>64,959</u>	<u>36,972</u>
		<u>\$ 141,084</u>	<u>\$ 115,331</u>
Notes receivable	Associates		
	LI PENG Enterprise Co., Ltd.	<u>\$ 12,833</u>	<u>\$ 25,408</u>

No deposit has been collected for the circulating accounts receivables from related parties. Accounts receivables from related parties in 2020 and 2019 do not include bad debt expenses.

(e) Payables to related parties (excluding borrowings from related parties)

Item	Related Party Category/Name	December 31, 2020	December 31, 2019
Accounts payable	Associates		
	LI PENG Enterprise Co., Ltd.	\$ 96,298	\$ 25,606
	Others	754	38
	Other related parties	<u>1,969</u>	<u>3,120</u>
		<u>\$ 99,021</u>	<u>\$ 28,764</u>
Notes payable	Associates		
	Others	<u>\$ 730</u>	<u>\$ 79</u>

No guarantee is provided for the balance of circulating payables to related parties.

## (f) Acquisition of property, plant and equipment

Related Party Category/Name	Proceeds from Acquisition	
	2020	2019
Associates		
Machinery Equipment	\$ 80	\$ 642
Other Equipment	<u>8,583</u>	<u>4,264</u>
	<u>\$ 8,663</u>	<u>\$ 4,906</u>

## (g) Acquisition of other assets

Related Party Category/Name	Proceeds from Acquisition	
	2020	2019
Associates		
Computer software	<u>\$ 1,443</u>	<u>\$ 286</u>

## (h) Disposal of property, plant, and equipment

Item	Related Party Category/Name	Proceeds from Disposal		Disposal (Loss) Profits	
		2020	2019	2020	2019
Transportation Equipment	Associates	\$ 300	\$ -	\$ -	\$ -
Other Equipment	Associates	2	-	2	-
Machinery Equipment	Associates	<u>138</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 440</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>

## (i) Advance loans to related parties

December 31, 2020					
	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
Associates					
LI PENG Enterprise Co., Ltd.	\$ 120,000	\$ 85,000	0.76715~0.90479	\$ 662	\$ 56
LI LING Film Co., Ltd.	<u>50,000</u>	<u>50,000</u>	1.43216~1.48789	<u>18</u>	<u>18</u>
	<u>\$ 170,000</u>	<u>\$ 135,000</u>		<u>\$ 680</u>	<u>\$ 74</u>
December 31, 2019					
	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
Associates					
LI PENG Enterprise Co., Ltd.	<u>\$ 120,000</u>	<u>\$ 120,000</u>	0.89598~0.97842	<u>\$ 995</u>	<u>\$ 95</u>

The Company provides short-term loans to associates and other related parties. The

interest rate range is similar to the market interest rate.

(j) Advance loans payable to related parties

December 31, 2020					
	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
Associates					
LI PENG Enterprise Co., Ltd.	\$ 742,135	\$ 284,794	1.43044~3.19860	\$ 4,615	\$ 320
LI MAO Investment Co., Ltd.	93,000	73,000	0.82040~0.91554	543	60
LI XING Investment Co., Ltd.	75,000	75,000	0.82040~0.91554	340	52
HONG XING Investment Co., Ltd.	70,000	70,000	0.82040~0.91554	412	49
LEALEA Technology Co., Ltd.	<u>20,000</u>	<u>-</u>	3	<u>149</u>	<u>-</u>
	<u>\$ 1,000,135</u>	<u>\$ 502,794</u>		<u>\$ 6,059</u>	<u>\$ 481</u>
December 31, 2019					
	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
Associates					
LI MAO Investment Co., Ltd.	\$ 80,000	\$ 76,000	0.89919~0.98599	\$ 688	\$ 62
LI XING Investment Co., Ltd.	64,000	33,000	0.89919~0.98599	368	27
HONG XING Investment Co., Ltd.	60,000	55,000	0.89919~0.98599	461	44
LEALEA Technology Co., Ltd.	<u>40,000</u>	<u>20,000</u>	3	<u>811</u>	<u>51</u>
	<u>\$ 244,000</u>	<u>\$ 184,000</u>		<u>\$ 2,328</u>	<u>\$ 184</u>

The interest rate for the Company's borrowings from associates and other related parties is equivalent to the market interest rate. Loans to associates and other related parties are unsecured loans.

(k) Others

Rental Income	2020	2019
Associates		
LI PENG Enterprise Co., Ltd.	\$ 28,012	\$ 28,012
Others	10,625	10,625
Other related parties	<u>12</u>	<u>10</u>
	<u>\$ 38,649</u>	<u>\$ 38,647</u>



The rental income collected by the Company from associates and other related parties is in accordance with local market quotations, and the payment term is a one-month commercial promissory note.

<u>Rent Expense</u>	<u>2020</u>	<u>2019</u>
Associates		
LI PENG Enterprise Co., Ltd.	\$ 7,708	\$ 7,890
Rich Development Co., Ltd.	<u>3,179</u>	<u>2,957</u>
	<u>\$ 10,887</u>	<u>\$ 10,847</u>

The Company pays rents to associates in accordance with local market quotations, and the payment term is a one-month commercial promissory note.

<u>Shipping Expense</u>	<u>2020</u>	<u>2019</u>
Associates	<u>\$ 18,706</u>	<u>\$ 19,544</u>
<u>Information Service Fee</u>	<u>2020</u>	<u>2019</u>
Associates		
LEALEA Technology Co., Ltd.	<u>\$ 19,873</u>	<u>\$ 20,040</u>
<u>Other Income</u>	<u>2020</u>	<u>2019</u>
Associates	\$ 2,268	\$ 2,374
Other related parties	<u>57</u>	<u>175</u>
	<u>\$ 2,325</u>	<u>\$ 2,549</u>
<u>Consumables—Public Fluid</u>	<u>2020</u>	<u>2019</u>
Associates		
LI PENG Enterprise Co., Ltd.	<u>\$ 4,847</u>	<u>\$ 5,811</u>

(l) Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 18,242	\$ 17,905
Post-employment benefits	<u>284</u>	<u>170</u>
	<u>\$ 18,526</u>	<u>\$ 18,075</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

(m) Transactions with other related parties

Related Party Category/Name	Item	Amount of Signed and Unfinished Contracts (Untaxed) December 31, 2020	Balance of Prepayments for Equipment December 31, 2020
Associates			
LEALEA Technology Co., Ltd.	Software	\$ <u>1,028</u>	\$ <u>-</u>

Related Party Category/Name	Item	Amount of Signed and Unfinished Contracts (Untaxed) December 31, 2019	Balance of Prepayments for Equipment December 31, 2019
Associates			
LEALEA Technology Co., Ltd.	Software	\$ <u>4,091</u>	\$ <u>-</u>

(n) Equity transactions

	Transaction Date	Object	Number of Shares	Amount
LIBOLON				
Associates	July 2020	Energy Co., Ltd.	55,000	\$ <u>550</u>

**25. PLEDGED ASSETS**

Assets provided by the Company as collaterals to financial institutions were as follows:

	December 31, 2020	December 31, 2019
Accounts receivable (Note 8)	\$ 102,253	\$ 183,693
Investment using the equity method (Note 11)	200,891	206,123
Property, plant and equipment (Note 12)	4,329,052	4,782,812
Inventory (Note 9)	<u>356,884</u>	<u>373,870</u>
	<u>\$ 4,989,080</u>	<u>\$ 5,546,498</u>

**26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS**

Significant contingent liabilities and unrecognized commitments of the Company as of balance sheet date, excluding those disclosed in other notes, were as follows:

As of December 31, 2020 and December 31, 2019, the Company still has amounts available under issued but unused letters of credit, illustrated as follows:

	Unit: Foreign Currencies (In Thousands)	
	December 31, 2020	December 31, 2019
USD	\$ 2,517	\$ 2,336
EURO	119	-
Japanese Yen	712,400	714,000

## **27. OTHER MATTERS**

Due to the impact of global pandemic of the novel coronavirus pneumonia, the operating income of the Company has fallen sharply since April 2020. However, as countries gradually loosen restrictions of economic activities to stimulate the economy, the Company expects that operations will gradually return to normal. In response to the impact of the epidemic, the Company has taken the following actions:

### (a) Operation strategy adjustments

In terms of operating strategy, the Company has minimized the inventory backlog of textile and automotive textiles during the period of the novel coronavirus, and continued to develop such kind of textile products in line with the requirements of electronic brands for carbon reduction, green energy and circular economy for holding the business opportunities of stay-at-home economy.

### (b) Fund-raising strategy

No major fund-raising plans were implemented by the Company for the impact of the novel coronavirus.

### (c) Government relief measures

The Company has applied for relief subsidies from the government, illustrated as follows:

- (1) A total of NT\$54,722 thousand in salary and working capital subsidies were received and accounted for as other income.
- (2) A total of NT\$63,732 thousand was obtained for a 30% exemption of water and electricity charges from January 1 to December 31, 2020.
- (3) According to the "Relief Plan for Industrial Zones during the Epidemic Prevention for Severe Special Infectious Pneumonia Period", it is possible to apply for a 20% reduction in rent and have general public facility maintenance fees to be levied by half. The implementation period of the plan is from January 15, 2020 to June 30, 2021.

The Company has incorporated the economic effects caused by the epidemic into major accounting estimates based on the information available on the balance sheet date and there are no significant effects on the Company.

## **28. EXCHANGE RATE INFORMATION OF SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES**

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign Currencies/New Taiwan Dollars In Thousands

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<b>Foreign Currency Assets</b>						
<u>Monetary Items</u>						
USD	\$ 21,228,098	28.48 (USD: NTD)	\$ 604,576	\$ 30,407,444	29.98 (USD: NTD)	\$ 911,615
RMB	208,221,794	4.377 (RMB: NTD)	911,387	206,824,587	4.305 (RMB: NTD)	890,380
<u>Non-Monetary items</u>						
Financial assets measured at fair value through profit and loss –						
Noncurrent USD	96,149	28.48 (USD: NTD)	2,738	96,149	29.98 (USD: NTD)	2,883
Investment using the equity method IDR	538,085,315,580	0.002191 (IDR: NTD)	1,086,448	304,044,164,189	0.0021567 (IDR: NTD)	655,732
<b>Foreign Currency Liabilities</b>						
<u>Monetary items</u>						
USD	\$ 17,600,025	28.48 (USD: NTD)	\$ 501,249	\$ 41,003,200	29.98 (USD: NTD)	\$ 1,229,276
<u>Non-Monetary items</u>						
Derivatives USD	-	28.48 (USD: NTD)	-	140,000,000	29.98 (USD: NTD)	30,298

The unrealized significant foreign currency exchange profits and losses are as follows:

Foreign Currencies	2020		2019	
	Exchange Rate	Net exchange profit (loss)	Exchange Rate	Net exchange profit (loss)
USD	28.48	\$ 18,382	29.98	\$ 1,090
RMB	4.377	10,999	4.305	( 2,147 )

## 29. ADDITIONAL DISCLOSURES

(a) Following are the additional disclosures related to major transactions and reinvestments required by the Securities and Futures Bureau for the Company:

- (1) Financings provided: See Table 1 attached;
- (2) Endorsement/guarantee provided: None;
- (3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 2 attached;
- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million

- or 20% of the paid-in capital: See Table 3 attached;
- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
  - (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: See Table 4 attached;
  - (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 5 attached;
  - (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
  - (9) Information about the derivative financial instruments transaction: See Notes 7 and 23;
  - (10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: See Table 6 attached;
  - (11) Information of investees over which the Company exercises significant influence: See Table 7 attached

(c) Information on investment in mainland China

- (1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: None
- (2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None
  - (2.1) Purchase amount and percentage, and the ending balance and percentage of payables.
  - (2.2) Sales amount and percentage, and the ending balance and percentage of receivables.
  - (2.3) Property transaction amount and the resulting profits or losses
  - (2.4) Ending balance and purposes of endorsement, guarantee or collateral provided
  - (2.5) The maximum balance, ending balance, interest rate range and total amount of current interest of financing.
  - (2.6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

(d) Information of major shareholder

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 8 attached.

### 30. OPERATING SEGMENTS INFORMATION

Information provided to the chief operating decision makers used for resource allocation and/or performance assessment, focusing on every operating segment that delivered product or service. The reportable operating segments of the Company are as follows:

Textile segment is mainly engaged in the manufacturing and sales of polyester fully oriented yarn, polyester chip, polyester draw textured yarn, weaving, dyeing and finishing, processing of artificial fiber fabrics.

Construction segment is mainly engaged in building, land, and parking space related businesses.

Investment and other segments are mainly engaged in the investments of various production businesses, coal trading business, sporting and recreation goods wholesaling and retailing business, electronic material wholesaling and data processing business.

(a) Operating segment revenue and operating results

The operating revenue and results of the Company's continually operating segments are analyzed in accordance with the reporting operating segments, illustrated as follows:

	2020				
	Textile Segment	Construction Segment	Investment and other Segment	Write Off	Total
Operating revenue (including proceeds from allocated and transferred fund)	\$ 9,789,990	\$ -	\$ 728,442	(\$ 2,144,823)	\$ 8,373,609
Cost of revenue	9,528,134	-	611,494	(2,143,903)	7,995,725
Gross Profit	261,856	-	116,948	(920)	377,884
Operating expense	(536,475)	(655)	(93,435)	2,521	(628,044)
Operating loss	(\$ 274,619)	(\$ 655)	\$ 23,513	\$ 1,601	(250,160)
Non-operating revenue and expense					(209,535)
Loss before income tax					(\$ 459,695)

	2019				
	Textile Segment	Construction Segment	Investment and other Segment	Write Off	Total
Operating revenue (including proceeds from allocated and transferred fund)	\$ 14,070,796	\$ 39,425	\$ 1,109,894	(\$ 3,211,980)	\$ 12,008,135
Cost of revenue	13,448,709	2,687	966,899	(3,213,232)	11,205,063
Gross Profit	622,087	36,738	142,995	1,252	803,072
Operating expense	(568,169)	(1,333)	(132,661)	2,808	(699,355)
Operating income	\$ 53,918	\$ 35,405	\$ 10,334	\$ 4,060	103,717
Non-operating revenue and expense					(101,306)
Income before income tax					\$ 2,411

The operating segment revenue refers to the profit earned by each segment, excluding the profits and losses from the following, the share of associates amortized using the equity

method, disposal of associates, rental income, interest income, disposal of property, plant and equipment, disposal of investments, foreign currency exchange, financial instrument evaluation, financial costs, and Income tax expense. The measured amount information is provided to the chief operating decision makers used for resource allocation and/or performance assessment.

(b) Assets and liabilities of operating segments

Since the measured amount of assets and liabilities is not provided to the operating decision makers, no measured amount of assets and liabilities is disclosed here.

(c) Income from main products and services

The analysis of income from main products and services of the Company's continually operating segments is as follows:

	2020	2019
Polyester fully oriented yarn and Polyester chip	\$ 1,343,574	\$ 1,993,896
Polyester draw textured yarn	3,950,352	5,954,013
Polyester solid state PET chip	1,692,294	2,139,058
Income from coal trading	521,823	842,509
Income from building and land businesses	-	39,425
Filament fabric	661,752	789,628
Others	203,814	249,606
	\$ 8,373,609	\$ 12,008,135

(d) Geographic information

The Company mainly operates in Asia.

The revenue from external customers of the Company's continually operating segments is differentiated by the operating locations and locations of noncurrent assets, illustrated as follows:

	Revenue from External Customers		Noncurrent Assets	
	2020	2019	December 31, 2020	December 31, 2019
Asia	\$ 7,012,131	\$ 10,251,985	\$ 7,119,900	\$ 7,540,204
Americas	1,081,590	1,280,395	-	-
Europe	196,737	311,864	-	-
Other areas	83,151	163,891	-	-
	\$ 8,373,609	\$ 12,008,135	\$ 7,119,900	\$ 7,540,204

Non-current assets exclude financial instruments and deferred income tax assets.

(e) Major customers information

No income from a single customer in 2020 and 2019 has exceeded 10% of the total income of the Company.

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

**TABLE 1**

**FINANCINGS PROVIDED**

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 8)	Amount Actually Drawn	Interest Rate Range (%)	Nature for Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 7)	Financing Company's Total Financing Amount Limits (Notes 7)	Note
													Item	Value			
0	LEALEA Enterprise Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Receivable repayment of advance loans to related parties	Yes	\$ 50,000	\$ -	\$ -	3%	2	\$	Operating capital	\$	-	\$ -	\$ 1,025,792	\$ 4,103,168	
0	LEALEA Enterprise Co., Ltd.	VIRTUE ELITE Ltd.	"	Yes	500,000	-	-	1.29004%~1.66084%	2		Operating capital		-	-	1,025,792	4,103,168	
0	LEALEA Enterprise Co., Ltd	Pt. Indonesia Libeling Fiber System	"	Yes	1,000,000	900,000	583,840	1.45296%~4.0485%	2		Operating capital		-	-	1,025,792	4,103,168	
1	LI HAO Investment Co., Ltd.	LI PENG Enterprise Co., Ltd.	"	Yes	75,000	55,000	55,000	0.76715%~0.97842%	2		Operating capital		-	-	85,022	340,090	
1	LI HAO Investment Co., Ltd.	LI LING Film Co., Ltd.	"	Yes	50,000	50,000	50,000	1.43216%~1.48789%	2		Operating capital		-	-	85,022	340,090	
1	LI HAO Investment Co., Ltd.	LEALEA Enterprise Co., Ltd.	"	Yes	71,000	71,000	71,000	0.76715%~0.93509%	2		Operating capital		-	-	85,022	340,090	
1	LI HAO Investment Co., Ltd.	VIRTUE ELITE Ltd.	"	Yes	20,000	-	-	1.4708%~1.66084%	2		Operating capital		-	-	85,022	340,090	
2	LI ZAN Investment Co., Ltd.	LI PENG Enterprise Co., Ltd.	"	Yes	45,000	30,000	30,000	0.76715%~0.97842%	2		Operating capital		-	-	51,835	207,339	
2	LI ZAN Investment Co., Ltd.	LEALEA Enterprise Co., Ltd.	"	Yes	42,000	42,000	42,000	0.76715%~0.93509%	2		Operating capital		-	-	51,835	207,339	
3	LEA JIE Energy Co., Ltd.	LIBOLON Enterprise Co., Ltd.	"	Yes	30,000	30,000	23,500	1.5%~3%	2		Operating capital		-	-	33,568	134,272	
3	LEA JIE Energy Co., Ltd.	VIRTUE ELITE Ltd.	"	Yes	30,000	30,000	2,914	1.39535%	2		Operating capital		-	-	33,568	134,272	

**Note 1:** The description of number column is as follows:

(1) The issuer is coded "0".

(2) The investee company is numbered sequentially from Arabic numeral 1 according to the company type.

**Note 2:** The accounts receivable from associates, accounts receivable from related parties, shareholder transactions, prepayments, temporary payments, etc. that are classified as nature for financing must be filled in this field.

**Note 3:** "Maximum balance for the period" refers to the highest balance of lending amount to others in the current year.

**Note 4:** "Nature for financing" should be listed as (1) companies or firms having business relationship with the Company, or (2) ones requiring short-term financing.

**Note 5:** As the nature of financing is companies or firms having business relationship with the Company, the business transaction amount should be filled in. The transaction amount refers to the previous year's transaction amount between the lending company and the lender.

**Note 6:** As the nature of financing is companies or firms requiring short-term financing, the reasons of financing and the usage of funds, such as repayment of loans, purchase of equipment, working capital turnover, etc., should be specified.

**Note 7:** The fields should be filled in accordance with the procedures for lending funds to other parties of the Company that specifies financing limits for each borrowing Company as 10% of the shareholders' equity of LEALEA Enterprise Co., Ltd., LEA JIE Energy Co., Ltd., LI HAO Investment Co., Ltd., and LI ZAN Investment Co., Ltd and the financing company's total financing amount limits as 40% of the shareholders' equity of LEALEA Enterprise Co., Ltd., LEA JIE Energy Co., Ltd., LI HAO Investment Co., Ltd., and LI ZAN Investment Co., Ltd.

**Note 8:** Should a public company comply with the Article 14-1 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" to submit financing reports to the Board of Directors for approval one by one, even though the financing funds have not yet been allocated, the financing amount approved by the Board of Directors should still be included in the balance announcement for exposing risks. When the funds are subsequently repaid, the balance after repayment shall be disclosed to reflect the adjustment of risk. In accordance with the Article 14-2 of the Regulations, a public company may authorize the chairman of the Board of Directors to approve a financing funds in a certain amount and allocated it in installments or revolving within a one-year period, but the financing funds approved by the Board of Directors should still be used as the declared balance. Although the funds will be repaid thereafter, in consideration that the loan may be allocated again, the financing funds approved by the Board of Directors should be used as the announced balance.



LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries

TABLE 2

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	December 31, 2020				Note (Note 4)
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
LEALEA Enterprise Co., Ltd.	Publicly traded stocks							
	Trade-Van Information Service Corp.	None	Financial assets at fair value through profits and losses – Current	427,675	\$ 21,598	0.29	\$ 21,598	
	China Development Financial Holding Corp.	"	"	1,217,782	11,325	0.01	11,325	
	Asia Pacific Telecom Co., Ltd.	"	"	3,277,157	33,099	0.09	33,099	
	Information Technology Total Services Co., Ltd.	"	"	33,750	1,283	0.12	1,283	
	Stocks							
	The Techgains Pan-Pacific Corp.	None	Financial assets at fair value through profits and losses – Noncurrent	150,000	373	0.26	-	
Progate Group Corp.	"	"	114,508	974	0.34	-		
Book4U Co., Ltd.	"	"	6,250	-	0.12	-		

(Continued)

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Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	December 31, 2019				Note (Note 4)
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
LI ZAN Investment Co., Ltd.	Listed stocks							
	LEALEA Enterprise Co., Ltd.	Parent Company of LI ZAN Investment Co., Ltd.	Financial assets at fair value through other comprehensive profits and losses – Noncurrent	6,101,375	80,538	0.64	80,538	
	Asia Pacific Telecom Co., Ltd.	None	Financial assets at fair value through profits and losses – Current	65,543	662	-	662	
	Far Eastern New Century Corp.	None	"	250,000	7,238	-	7,238	
	Over-the-counter stocks Rich Development Co., Ltd.	The investee of LEALEA Enterprise Co., Ltd., parent company of LI ZAN Investment Co., Ltd., accounted for under the equity method.	Financial assets at fair value through profits and losses – Current	977,000	10,259	0.13	10,259	
	Domestic Mutual Funds Jih Sun Money Market Fund	None	Financial assets at fair value through profits and losses – Current	1,606,663	24,019	-	24,019	
	Franklin Templeton Sinoam Money Market Fund	"	"	575,910	6,006	-	6,006	
Capital Money Market Fund	"	"	430,361	7,000	-	7,000		

(Continued)

(Continued from the previous page)

Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	December 31, 2019				Note (Note 4)
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
LI HAO Investment Co., Ltd.	Listed stocks	Parent Company of LI HAO Investment Co., Ltd.	Financial assets at fair value through other comprehensive profits and losses – Noncurrent					
	LEALEA Enterprise Co., Ltd.			4,672,653	\$ 61,679	0.49	\$ 61,679	
	Asia Pacific Telecom Co., Ltd.			None	65,543	662	-	662
	Wei Chuan Foods Corp.			"	25,000	557	-	557
	Dynacolor, Inc.			"	40,000	1,172	0.04	1,172
LI HAO Investment Co., Ltd.	Domestic Mutual Funds	None	Financial assets at fair value through profits and losses – Current					
				Far Eastern New Century Corp.	"	1,250,000	36,187	0.02
LEA JIE Energy Co., Ltd.	Domestic Mutual Funds	None	Financial assets at fair value through profits and losses – Current					
				Capital Money Market Fund	922,203	15,000	-	15,000
				Jih Sun Money Market Fund	7,574,650	113,241	-	113,241
LEA JIE Energy Co., Ltd.	Domestic Mutual Funds	None	Financial assets at fair value through profits and losses – Current					
				Franklin Templeton Sinoam Money Market Fund	671,933	7,007	-	7,007

**Note 1:** The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from such items, that are within the scope of IFRS 9 "Financial Instruments".

**Note 2:** The securities issuer who is not classified as related party does not need to fill in the column.

**Note 3:** If measured by fair value, please fill in the "carrying value" column with the carrying balance that has adjusted the value in accordance with fair value evaluation and deducted allowance losses; if it is not measured by fair value, please fill in the "carrying value" column with the original acquisition cost or the carrying balance of the amortized cost after deducting the accumulated impairment.

**Note 4:** If the listed securities are restricted due to the provision of guarantees, pledged loans, or other agreed-upon, the note column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and restrictions on use.

**Note 5:** For information about the equity investments in subsidiaries, associates, and joint ventures, please refer to attached "Table 7".

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

**TABLE 3**

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counterparty (Note 2)	Nature of Relationships (Note 2)	Beginning Balance (Note 5)		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance (Note 5)	
					Shares	Amount	Amount	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount
LEALEA Enterprise Co., Ltd.	Pt. Indonesia LIBOLON Fiber System	Investments using equity method	Issuance of common stock for cash	Subsidiary	9,170,000	\$ 636,487	4,200,000	\$ 624,540	-	\$ -	\$ -	\$ -	13,370,000	\$ 1,085,855

**Note 1:** The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from such items.

**Note 2:** The two fields are required for securities investments accounted for using equity method but exempted for others.

**Note 3:** The accumulated purchase and sale amount should be calculated separately at market price whether it reaches NT\$300 million or 20% of the paid-in capital or not.

**Note 4:** The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's stock has no denomination or the denomination per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

**Note 5:** The amount at the beginning and end of the period includes the profit and loss recognized by the equity method and related adjustment items.

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

**TABLE 4**

**DISPOSAL OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Types of Property	Transaction Date	First Acquisition Date	Carrying Amount	Transaction Amount	Payment Term	Gain/Loss on Disposal	Counter-party	Nature of Relationships	Purpose of Disposal	Price Reference	Other
LEALEA Enterprise Co., Ltd.	Lands and Buildings	August 10, 2020	March 8, 1994	\$ 54,255	\$ 414,528	Down Payment \$ 124,358	As of December 31, the transaction has not been completed and the disposition gains and losses have not been recognized.	REMONDIS Circular Technology Co., Ltd.	Non-related Parties	Assets Activation	Market quotations and appraisal information and estimated amount from professional appraisal organizations \$ 421,578	

**Note 1:** If the disposition of assets should be appraised in accordance with regulations, the result of appraisal should be indicated in the "price reference" column.

**Note 2:** The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's stock has no denomination or the denomination per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

**Note 3:** The "transaction date" refers to the date when the contract is signed, the payment date, the entrusted transaction date, the transfer date, the resolution date of the Board, or the date when the transaction related parties and transaction amount are fully determined, whichever is the former.

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

**TABLE 5**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable		Note (Note 2)
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
LEALEA Enterprise Co., Ltd.	LI PENG Enterprise Co., Ltd.	The investee of the Company accounted for under the equity method	Sales	(\$ 578,787)	( 8)	1 month commercial promissory note	N/A	N/A	Notes and Accounts Receivables \$ 76,316	11	
"	"	"	Purchase	565,073	13	"	"	"	Notes and Accounts Payables ( 88,388)	( 19)	
"	Pt. Indonesia LIBOLON Fiber System	Subsidiary	Sales	( 198,747)	( 3)	T/T 90 days after shipment	"	"	Notes and Accounts Receivables 67,827	10	
"	LIBOLON International Corp.	Substantive related party	Sales	( 119,941)	( 2)	"	"	"	Notes and Accounts Receivables 24,088	4	
LEA JIE Energy Co., Ltd.	LEALEA Enterprise Co., Ltd.	Parent Company	Sales	( 143,650)	( 25)	1 month commercial promissory note	"	"	Notes and Accounts Receivables 10,303	15	
"	LI PENG Enterprise Co., Ltd.	The investee of the company's parent company accounted for under the equity method	Sales	( 104,570)	( 18)	"	"	"	Notes and Accounts Receivables 7,364	10	
Pt. Indonesia LIBOLON Fiber System	LEALEA Enterprise Co., Ltd.	Parent Company	Purchase	196,627	78	T/T 90 days after shipment	"	"	Notes and Accounts Payables ( 67,826)	( 53)	

**Note 1:** If the related party's trade terms are different from the general trade terms, the differences and reasons of abnormal transaction should be described in the "unit price" and "payment terms" columns.

**Note 2:** If there is prepayment, the reason, contractual terms, amount, and differences with general transaction should be stated in the note column.

**Note 3:** The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's shares have no denomination or the denomination per share is not NT\$10, the transaction amount requirement of 20% of the paid-in capital shall be calculated based on the 10% equity attributable to the owner of the parent company on the balance sheet.

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

**TABLE 6**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Company Name	Related Party	Nature of Relationships (Note 2)	Transaction Details			
				Account Name	Amount	Trade Terms	% to Total (Note 3)
0	LEA LEA Enterprise Co., Ltd.	LI ZAN Investment Co., Ltd.	Parent Company to Subsidiary	Advance loans to related parties payables	\$ 42,000	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LI ZAN Investment Co., Ltd.	Parent Company to Subsidiary	Interest Payables	28	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LI ZAN Investment Co., Ltd.	Parent Company to Subsidiary	Rental Income	10	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LI ZAN Investment Co., Ltd.	Parent Company to Subsidiary	Interest Expense	198	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LI HAO Investment Co., Ltd.	Parent Company to Subsidiary	Rental Income	10	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LI HAO Investment Co., Ltd.	Parent Company to Subsidiary	Interest Expense	488	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LI HAO Investment Co., Ltd.	Parent Company to Subsidiary	Advance loans to related parties payables	71,000	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LI HAO Investment Co., Ltd.	Parent Company to Subsidiary	Interest Payables	47	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Parent Company to Subsidiary	Rental Income	16	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Parent Company to Subsidiary	Net revenue from sale of goods	11	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Parent Company to Subsidiary	Notes/Accounts Receivable	1	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LEA JIE Energy Co., Ltd.	Parent Company to Subsidiary	Rental Income	3,952	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	LEA JIE Energy Co., Ltd.	Parent Company to Subsidiary	Service Fee	1,371	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	PT.INDONESIA LIBOLON FIBER SYSTEM	Parent Company to Subsidiary	Interest Receivables	730	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	PT.INDONESIA LIBOLON FIBER SYSTEM	Parent Company to Subsidiary	Net revenue from sale of goods	198,747	General trade terms	2
0	LEA LEA Enterprise Co., Ltd.	PT.INDONESIA LIBOLON FIBER SYSTEM	Parent Company to Subsidiary	Notes/Accounts Receivable	67,827	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	PT.INDONESIA LIBOLON FIBER SYSTEM	Parent Company to Subsidiary	Interest Income	13,087	General trade terms	-
0	LEA LEA Enterprise Co., Ltd.	PT.INDONESIA LIBOLON FIBER SYSTEM	Parent Company to Subsidiary	Receivable repayment of advance loans to related parties	583,840	General trade terms	3
0	LEA LEA Enterprise Co., Ltd.	VIRTUE ELITE Ltd.	Parent Company to Second-Tier Subsidiary	Interest Income	242	General trade terms	-
1	LEA JIE Energy Co., Ltd.	LEA LEA Enterprise Co., Ltd.	Subsidiary to Parent Company	Net revenue from sale of goods	143,650	General trade terms	1
1	LEA JIE Energy Co., Ltd.	LEA LEA Enterprise Co., Ltd.	Subsidiary to Parent Company	Notes/Accounts Receivable	10,303	General trade terms	-
1	LEA JIE Energy Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Subsidiary to Subsidiary	Interest Income	621	General trade terms	-
1	LEA JIE Energy Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Subsidiary to Subsidiary	Interest Receivables	29	General trade terms	-
1	LEA JIE Energy Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Subsidiary to Subsidiary	Receivable repayment of advance loans to related parties	23,500	General trade terms	-
1	LEA JIE Energy Co., Ltd.	VIRTUE ELITE Ltd.	Subsidiary to Second-Tier Subsidiary	Interest Income	6	General trade terms	-
1	LEA JIE Energy Co., Ltd.	VIRTUE ELITE Ltd.	Subsidiary to Second-Tier Subsidiary	Receivable repayment of advance loans to related parties	2,914	General trade terms	-
1	LEA JIE Energy Co., Ltd.	VIRTUE ELITE Ltd.	Subsidiary to Second-Tier Subsidiary	Interest Receivables	4	General trade terms	-
2	LI HAO Investment Co., Ltd.	VIRTUE ELITE Ltd.	Subsidiary to Subsidiary	Interest Income	26	General trade terms	-
3	LIBOLON Enterprise Co., Ltd.	LEA LEA Enterprise Co., Ltd.	Subsidiary to Parent Company	Net revenue from sale of goods	9	General trade terms	-

**Note 1:** The business operations information between parent company and subsidiaries shall be indicated in column number, number filled in as follows:

(1) The Parent company is coded "0".

(2) The subsidiaries are numbered sequentially starting from Arabic numeral "1" according to company type.

**Note 2:** The relationships are categorized into the following five types. Please specify the type. The same transaction between parent and subsidiary or between subsidiaries shall not be disclosed repetitively. For example, for transactions between the Parent company and its subsidiaries, if the parent company discloses the information, the subsidiaries are exempted from doing so. The same applies to transactions between subsidiaries where only one subsidiary needs to disclose the same transaction.

(a) The parent company to subsidiary.

(b) Subsidiary to the parent company.

(c) Subsidiaries to subsidiaries

**Note 3:** Regarding the percentage of transaction amount to consolidated net revenue or total assets, if it is an asset-liability item, it is computed based on the ending balance to consolidated total assets; if it is a profit and loss item, it is computed based on interim accumulated amount to consolidated total revenue..

**Note 4:** Whether to describe the important transactions in this table is determined by the company based on the principle of materiality.



**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

**TABLE 7**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company (Note 1, 2)	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee (Note 4-2)	Share of Profits/Losses of Investee (Note 4-3)	Note	
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value				
LEALEA Enterprise Co., Ltd.	LI HAO Investment Co., Ltd.	11F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Investments of various production businesses, securities investment companies, banks, etc.	\$ 416,616	\$ 416,616	40,356,000	53.38	\$ 475,770	( \$ 10,402 )	( \$ 5,553 )		
	LI ZAN Investment Co., Ltd.	"	"	359,877	359,877	24,460,000	53.17	267,327	( 44,406 )	( 23,612 )		
	LI XING Investment Co., Ltd.	"	"	376,000	376,000	37,600,000	47.00	403,623	( 6,427 )	( 3,021 )		
	HONG XING Investment Co., Ltd.	"	"	364,595	364,595	23,304,000	46.98	379,140	( 331 )	( 131 )		
	LI MAO Investment Co., Ltd.	"	"	363,629	363,629	35,244,000	46.62	502,464	( 292 )	( 144 )		
	LEALEA Technology Co., Ltd.	"	Information software and data processing services	74,031	74,031	11,031,102	29.05	181,500	129,367		37,585	
	LIBOLON Enterprise Co., Ltd.	6F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Sporting and recreation goods wholesaling and retailing business	50,000	50,000	5,000,000	100.00	10,329	( 5,502 )	( 5,502 )		
	FU LI Express Co., Ltd.	No. 122, Zili 2nd Street, Wuqi District, Taichung City, Taiwan (R.O.C.)	Container trucking carrier	35,000	35,000	3,500,000	25.00	45,446	11,637		2,909	
	LI PENG Enterprise Co., Ltd.	6F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Manufacturing of weaving, dyeing and finishing, processing of artificial fiber and woven fabrics	1,221,597	1,221,597	145,353,853	15.89	1,608,134	( 429,571 )	( 68,279 )		
	Rich Development Co., Ltd.	8F., No.99, Jilin Road, Taipei City, Taiwan (R.O.C.)	Appointment of construction enterprises for commercial building construction, rent and sales of public housing, etc.	470,606	470,606	51,839,894	6.97	891,582	103,976		7,027	
	LEA JIE Energy Co., Ltd.	4F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Coal wholesaling and retailing business	210,000	210,000	21,000,000	70.00	234,810	25,730		17,889	
	LI LING Film Co., Ltd.	11F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Manufacturing of nylon film	39,580	39,580	2,100,000	3.50	16,286	( 217,559 )	( 7,615 )		
	PT.INDONESIA LIBOLON FIBER SYSTEM	Lantai 1 Jl. Cideng Barat No. 15, RT.011/RW.001 Kel. Duri Pulo. Kec. Gambir. DKZ Jakarta	Manufacturing and sales of weaving, dyeing and finishing, processing of artificial fiber fabrics	1,680,880	1,056,340	13,370,000	70.00	1,085,855	( 166,708 )	( 116,696 )		
	PT. LONG JOHN INNOVATION MATERIAL	JALAN UBRUG, Kel. Kembangkuning, Kec. Jatiluhur, Kab. Purwakarta, Prop. JawaBarat	Knitted fabrics and fabric improvement	-	15,200	-	-	-	Note 2	Note 2		
LIBOLON ENERGY Co., Ltd.	No.38, Gongye Road, Fangyuan Township, Changhua County, Taiwan (R.O.C.)	Trading business of renewable-energy-based self-usage power generation equipment	-	-	-	-	-	( 117 )	( 64 )			

(Investor Company)	Investee Company (Note 1, 2)	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee (Note 4-2)	Share of Profits/Losses of Investee (Note 4-3)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
LI HAO Investment Co., Ltd.	LI PENG Enterprise Co., Ltd.	6F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Manufacturing of weaving, dyeing and finishing, processing of artificial fiber and woven fabrics	536,573	568,957	49,213,968	5.38	546,655	( 429,571 )	-	2,890,000 shares pledged as collateral for short-term borrowing and issuance of short-term bills
	LI LING Film Co., Ltd.	11F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Manufacturing of nylon film	95,010	95,010	3,167,000	5.28	24,992	( 217,559 )	-	
LI ZAN Investment Co., Ltd.	LI PENG Enterprise Co., Ltd.	6F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Manufacturing of weaving, dyeing and finishing, processing of artificial fiber and woven fabrics	367,178	436,245	31,267,763	3.42	347,008	( 429,571 )	-	15,199,000 shares pledged as collateral for the issuance of short-term notes

**Note 1:** If a public company has a foreign holding company that uses consolidated statements as the main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose the relevant information of the holding company.

**Note 2:** LEALEA Enterprise Co., Ltd. disposed Pt. Long John Innovation Material on March 2020 and the investment losses of the disposal have been recognized.

**Note 3:** LEALEA Enterprise Co., Ltd. disposed LIBOLON Energy Co., Ltd. on July 2020 and the investment profits of the disposal have been recognized.

**Note 4:** If it is not in the situation described in Note 1, fill in according to the following regulations:

- (1) For "Investee Company", "Location", "Main Businesses and Products", "Original Investment Amount" and "Balance as of December 31, 2020" columns, the information should be filled out in order in accordance with the investment circumstances of the public company or the investment circumstances of each directly or indirectly controlled investee company. The relationship between each investee company and the public company should also be indicated in the note column, such as subsidiary or second-tier subsidiary.
- (2) The "Net Income (Losses) of the Investee" column should be filled in with the current profit and loss amount of each investee company.
- (3) The "Share of Profits/Losses of Investee" column should only be filled in the amount of profits and losses of the public Company's direct investment in subsidiaries and the amount of profit and loss of each investee company measured by using the equity method. The rest is not required. When filling in the "Share of Profits/Losses of Investee" column, we should confirm that the current profit and loss of each subsidiary already includes the investment profit and loss of its investees required to be recognized by laws.

**LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries**

**TABLE 8**

**INFORMATION ON MAJOR SHAREHOLDERS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
DONG TING Investment Co., Ltd.	76,336,784	7.97
LI PENG Enterprise Co., Ltd.	71,743,197	7.49

Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of the Company's ordinary and special stocks, including treasury stocks, completed the process of registration and book-entry delivery in dematerialized from on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company's consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee, who opened the trust account, in accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decisions on the trust property. Information on insider equity declaration is available on the Market Observation Post System website.

# Financial Statements

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
LEALEA ENTERPRISE CORPORATION Limited:

### Opinion

We have audited the accompanying individual financial statements of LEALEA ENTERPRISE CORPORATION Limited (the "Company"), which comprise the individual balance sheets as of December 31, 2020 and 2019, and the individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the individual financial statements, including a summary of significant accounting policies.

Per opinions of our accountants, the individual financial statements mentioned in paragraph one have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and can be reasonably assessed to present the individual financial conditions of the Company as of December 31, 2020 and 2019, as well as the individual financial performance and individual cash flow from January 1 to December 31, 2020 and 2019.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual 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 individual financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and do not provide a separate opinion on these matters.

Key audit matters for the Company's individual financial statements for the year ended December 31, 2020 are stated as follows:

#### The authenticity of sales transactions of customers with positive annual sales revenue growth

LEALEA ENTERPRISE CORPORATION Limited is mainly engaged in the manufacturing and sales of polyester fully oriented yarn, draw textured yarn and polyester chip. Due to the impact of the global pandemic of the Covid-19 epidemic, individual operating income in 2020 has been greatly reduced, and due to the impact of the epidemic, the operating income of competitors in the same industry have generally shown a downward trend. The analysis of annual sales revenue

by customer shows that some customers have sales revenue grown against the trend, which is contrary to the trend of the company and competitors in the same industry. Since operating income is the focus of investors, there are significant risks in income recognition. The true occurrence of sales income will be relevant to income recognition and the fair expression of financial reports. Because of this, the accountant listed the authenticity of sales transactions of customer with positive sales revenue growth as the key audit items for this year. For accounting policies and relevant disclosure information related to the recognition of operating income, please refer to Note 4.

The main auditing procedures adopted by the accountants with regard to the issues described above are to understand the effectiveness of internal controls concerning sales management procedures related to the revealed sales revenue, execute test of details of revenue, take random inspections on relevant documents and certificates of shipment and payment collection and raise requests for confirmation letters in order to assure the authenticity of sales revenue.

### **Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements**

Management is responsible for the preparation and fair presentation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual 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 Individual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements

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

1. Identified and evaluated the risk of material misstatement due to fraud or error in the Individual Financial Statements; designed and carried out appropriate countermeasures for the evaluated risks; obtained sufficient and appropriate evidence as the basis for the audit

opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our 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 whether applicable, related safeguards.

In the communications between us and the Company's governing body, we have determined the key audit items from 2020 individual financial statements of the Company and its subsidiaries. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

The engagement partners on the audit resulting in this independent auditors' report are Chiu, Ming-Yu and Wu, Ke-Chang.

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Chiu, Ming-Yu  
Deloitte & Touche  
Taipei, Taiwan  
Republic of China

Financial-Supervisory-Securities-  
VI-0930160267 of the Financial  
Supervisory Commission

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Wu, Ke-Chang  
Deloitte & Touche  
Taipei, Taiwan  
Republic of China

Financial-Supervisory-Securities-  
Auditing-1000028068 of the  
Financial Supervisory Commission

March 31, 2021

**LEALEA ENTERPRISE CORPORATION Limited**  
**INDIVIDUAL BALANCE SHEETS**  
Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars)

Code	ASSETS	2020		2019	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Note 6)	\$ 1,124,927	7	\$ 1,232,460	8
1110	Financial assets at fair value through profit or loss—Current (Note 7)	67,305	-	66,735	1
1150	Notes receivable, net (Note 8)	49,352	-	119,261	1
1160	Notes Receivable from related parties, net (Note 8, 22)	12,833	-	25,408	-
1170	Accounts receivable, net (Note 8)	418,133	3	604,072	4
1180	Accounts Receivable from related parties, net (Note 8, 22)	198,627	1	170,297	1
1210	Advance loans to related parties (Note 22)	583,840	4	607,095	4
1310	Inventories—Textile business (Note 9)	1,514,587	10	1,927,019	12
1410	Prepayments	73,275	1	48,631	-
1476	Other financial assets—Current	306,802	2	25,804	-
1479	Other current assets (Note 11)	63,972	-	9,256	-
11XX	Total current assets	<u>4,413,653</u>	<u>28</u>	<u>4,836,038</u>	<u>31</u>
	<b>NONCURRENT ASSETS</b>				
1510	Financial assets at fair value through income (loss)—Noncurrent (Note 7)	1,347	-	1,347	-
1550	Investments accounted for using equity method (Note 10)	6,102,266	39	5,356,972	34
1600	Property, plant and equipment (Note 11)	4,933,893	31	5,304,595	34
1755	Right-of-use assets (Note 12)	720	-	1,192	-
1780	Other intangible assets	1,599	-	1,672	-
1840	Deferred income tax assets (Note 17)	133,187	1	86,666	1
1915	Prepayments for business facilities	93,489	1	26,779	-
1990	Other noncurrent assets—Others	5,782	-	56,475	-
15XX	Total noncurrent assets	<u>11,272,283</u>	<u>72</u>	<u>10,835,698</u>	<u>69</u>
1XXX	<b>TOTAL ASSETS</b>	<u>\$ 15,685,936</u>	<u>100</u>	<u>\$ 15,671,736</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term loans (Note 13)	\$ 1,750,000	11	\$ 1,920,000	12
2110	Short-term bills payable (Note 13)	770,000	5	110,000	1
2120	Financial liabilities at fair value through profit or loss—Current (Note 7)	-	-	30,298	-
2150	Notes payable	7,796	-	8,532	-
2160	Notes payables to related parties (Note 22)	730	-	79	-
2170	Accounts payable	375,669	2	390,195	3
2180	Accounts payables to related parties (Note 22)	89,142	1	25,244	-
2200	Other payables	391,307	3	461,783	3
2220	Advance loans to related parties (Note 22)	331,000	2	259,000	2
2230	Current income tax liabilities (Note 17)	-	-	43,260	-
2280	Lease liabilities—Current (Note 12)	107	-	232	-
2320	Long-term liabilities—Current portion (Note 13)	474,667	3	474,667	3
2399	Other current liabilities (Note 11)	312,708	2	271,272	2
21XX	Total current liabilities	<u>4,503,126</u>	<u>29</u>	<u>3,994,562</u>	<u>26</u>
	<b>NONCURRENT LIABILITIES</b>				
2540	Long-term borrowings (Note 13)	520,000	3	994,667	6
2570	Deferred income tax liabilities—Noncurrent (Note 17)	96,653	1	96,653	1
2580	Lease liabilities—Noncurrent (Note 12)	541	-	963	-
2640	Net defined liabilities—Noncurrent (Note 14)	306,039	2	322,068	2
2645	Guarantee deposits	1,657	-	1,748	-
25XX	Total noncurrent liabilities	<u>924,890</u>	<u>6</u>	<u>1,416,099</u>	<u>9</u>
2XXX	Total liabilities	<u>5,428,016</u>	<u>35</u>	<u>5,410,661</u>	<u>35</u>
	<b>EQUITY (NOTE 15)</b>				
	Capital stock				
3110	Capital—Common stock	9,573,029	61	9,573,029	61
3200	Capital surplus	78,422	-	83,024	-
	Retained earnings				
3310	Appropriated as legal capital reserve	530,980	4	528,650	3
3320	Appropriated as special capital reserve	40,464	-	40,464	-
3350	Unappropriated earning	(259,472)	(2)	62,527	1
3300	Total retained earnings	<u>311,972</u>	<u>2</u>	<u>631,641</u>	<u>4</u>
3400	Others	322,967	2	1,851	-
3500	Treasury stock	(28,470)	-	(28,470)	-
3XXX	Total equity	<u>10,257,920</u>	<u>65</u>	<u>10,261,075</u>	<u>65</u>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 15,685,936</u>	<u>100</u>	<u>\$ 15,671,736</u>	<u>100</u>

The accompanying notes are an integral part of the individual financial statements.

Chairman: KUO, SHAO YI

Manager: KUO, SHAO YI

Accounting Supervisor: Hsu, Li Hsueh



**LEALEA ENTERPRISE CORPORATION Limited**  
**INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME**  
Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2020		2019	
		Amount	%	Amount	%
	OPERATING REVENUE (Note 22)				
4100	Sales revenue	\$ 7,322,391	100	\$ 10,515,557	100
4500	Construction income	-	-	39,425	-
4000	Operating revenue	<u>7,322,391</u>	<u>100</u>	<u>10,554,982</u>	<u>100</u>
	COST OF REVENUE (Note 9, 22)				
5110	Cost of goods sold	7,021,196	96	9,761,445	92
5500	Construction cost	-	-	2,687	-
5000	Cost of revenue	<u>7,021,196</u>	<u>96</u>	<u>9,764,132</u>	<u>92</u>
5900	GROSS PROFIT	301,195	4	790,850	8
5910	GROSS PROFIT BEFORE UNREALIZED WITH SUBSIDIARIES AND ASSOCIATES	( 119 )	-	( 3,196 )	-
5950	REALIZED GROSS PROFIT	<u>301,076</u>	<u>4</u>	<u>787,654</u>	<u>8</u>
	OPERATING EXPENSE (Note 22)				
6100	Marketing expenses	300,036	4	327,295	3
6200	General and administrative	113,117	1	121,405	1
6300	Research and development	44,591	1	52,266	1
6450	Expected credit impairment loss determined in accordance with IFRS 9	( 180 )	-	( 5,289 )	-
6000	Total operating expenses	<u>457,564</u>	<u>6</u>	<u>495,677</u>	<u>5</u>
6900	OPERATING INCOME (LOSS)	( 156,488 )	( 2 )	291,977	3
	NON-OPERATING INCOME AND EXPENSE (Note 16, 22)				
7100	Interest income	42,691	-	67,231	1
7010	Other income	124,910	2	79,463	1
7020	Other gains and losses	( 215,112 )	( 3 )	( 102,782 )	( 1 )
7050	Finance costs	( 39,987 )	( 1 )	( 49,049 )	( 1 )
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	( 165,207 )	( 2 )	( 190,736 )	( 2 )
7000	Total non-operating income and expenses	( 252,705 )	( 4 )	( 195,873 )	( 2 )

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
7900	INCOME (LOSS) BEFORE INCOME TAX	( \$ 409,193 )	( 6 )	\$ 96,104	1
7950	INCOME TAX EXPENSE (Note 17)	<u>51,749</u>	<u>1</u>	( 43,516 )	-

8200	NET INCOME (LOSS)	( <u>357,444</u> )	( <u>5</u> )	<u>52,588</u>	<u>1</u>
	OTHER COMPREHENSIVE INCOME (LOSS)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit obligation	1,834	-	( 21,435 )	-
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	425,053	6	( 77,838 )	( 1 )
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences arising on translation of foreign operations	( 67,996 )	( 1 )	11,703	-
8380	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	<u>-</u>	<u>-</u>	<u>5,311</u>	<u>-</u>
8300	Other comprehensive loss for the year, net of income tax	<u>358,891</u>	<u>5</u>	( <u>82,259</u> )	( <u>1</u> )
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,447</u>	<u>-</u>	( <u>\$ 29,671</u> )	<u>-</u>
	EARNINGS (LOSS) PER SHARE (Note 18) FROM CONTINUING OPERATION				
9710	Basic earnings per share	( <u>\$ 0.38</u> )		<u>\$ 0.06</u>	
9810	Diluted earnings per share			<u>\$ 0.06</u>	

The accompanying notes are an integral part of the individual financial statements.

Chairman: KUO, SHAO YI    Manager: KUO, SHAO YI    Accounting Supervisor: Hsu, Li Hsueh

**LEALEA ENTERPRISE CORPORATION Limited**  
**INDIVIDUAL STATEMENTS OF CHANGE IN EQUITY**  
**Years Ended December 31, 2020 and 2019**  
**(In Thousands of New Taiwan Dollars)**

Code		Capital Stock-Common Stock		Retained Earnings			Equity Adjustments			Total Equity	
		Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Treasury Stock
A1	BALANCE JANUARY 1, 2019	957,303	\$ 9,573,029	\$ 76,303	\$ 487,091	\$ 40,464	\$ 463,532	( \$ 59,882 )	\$ 114,879	( \$ 28,470 )	\$ 10,666,946
	2018 Appropriation of earnings										
B1	Legal capital reserve	-	-	-	41,559	-	( 41,559 )	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	( 382,921 )	-	-	-	( 382,921 )
	Adjustments to other capital surplus:										
C7	Adjustments to share of changes in equities of associates	-	-	3,955	-	-	-	-	-	-	3,955
M1	Cash dividends paid from parent company to subsidiaries	-	-	4,309	-	-	-	-	-	-	4,309
M7	From share of changes in equities of subsidiaries (Note 10)	-	-	( 1,543 )	-	-	-	-	-	-	( 1,543 )
D1	Net income (loss) in 2019	-	-	-	-	-	52,588	-	-	-	52,588
D3	Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	( 29,113 )	11,703	( 64,849 )	-	( 82,259 )
D5	Total comprehensive income (loss) in 2019	-	-	-	-	-	23,475	11,703	( 64,849 )	-	( 29,671 )
Z1	BALANCE DECEMBER 31, 2019	957,303	9,573,029	83,024	528,650	40,464	62,527	( 48,179 )	50,030	( 28,470 )	10,261,075
	2019 Appropriation of earnings										
B1	Legal capital reserve	-	-	-	2,330	-	( 2,330 )	-	-	-	-
	Adjustments to other capital surplus:										
C7	Adjustments to share of changes in equities of associates	-	-	( 4,602 )	-	-	-	-	-	-	( 4,602 )
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income, accounted for using equity method	-	-	-	-	-	23,992	-	( 23,992 )	-	-
D1	Net income (loss) in 2020	-	-	-	-	-	( 357,444 )	-	-	-	( 357,444 )
D3	Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	-	13,783	( 67,996 )	413,104	-	358,891
D5	Total comprehensive income (loss) in 2020	-	-	-	-	-	( 343,661 )	( 67,996 )	413,104	-	1,447
Z1	BALANCE DECEMBER 31, 2020	957,303	\$ 9,573,029	\$ 78,422	\$ 530,980	\$ 40,464	( \$ 259,472 )	( \$ 116,175 )	\$ 439,142	( \$ 28,470 )	\$ 10,257,920

The accompanying notes are an integral part of the individual financial statements.

Chairman: KUO, SHAO YI

Manager: KUO, SHAO YI

Accounting Supervisor: Hsu, Li Hsueh

**LEALEA ENTERPRISE CORPORATION Limited**  
**INDIVIDUAL STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars)

Code		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income (loss) before income tax	(\$ 409,193)	\$ 96,104
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	612,378	592,317
A20200	Amortization expense	56,558	75,435
A20300	Expected credit losses recognized on investments in debt instruments	( 180)	( 5,289)
A20900	Finance costs	39,987	49,049
A21200	Interest income	( 42,691)	( 67,231)
A21300	Dividend income	( 1,547)	( 1,129)
A20400	Loss (gain) on financial assets or liabilities at fair value through profit or loss, net	( 30,867)	20,031
A22300	Share of profits (loss) of subsidiaries, associates and joint ventures accounted for using equity method	165,207	190,736
A22500	Loss (gain) on disposal or retirement of property, plant and equipment	2,051	( 4,333)
A23100	Disposal of loss (gain) on investment	( 62)	-
A23700	Loss for market price decline and obsolete and slow-moving inventories or gain from price recovery of inventory	( 31,586)	( 7,925)
A23900	Unrealized (realized) gain from inter-affiliated accounts	119	3,196
A24100	Loss (gain) on foreign exchange	14,110	27,556
A30000	CHANGES IN OPERATING ASSETS AND LIABILITIES		
A31130	Notes receivable	83,191	59,987
A31150	Accounts receivable	162,012	499,537
A31200	Inventories	444,018	288,825
A31230	Prepayments	( 79,704)	( 44,907)
A31240	Other current assets	( 461)	( 26,052)
A31250	Other financial assets	( 261,403)	10,374
A31990	Other assets	( 63)	-
A32130	Notes and bills payable	( 85)	( 269,108)
A32150	Accounts payable	49,372	( 245,041)
A32180	Other payables	( 42,629)	88,963
A32230	Other current liabilities	41,436	41,791
A32240	Net defined benefit liability	( 14,193)	( 39,454)
A33000	Net cash generated by operating activities	755,775	1,333,432

(Continued)

Code		2020	2019
A33100	Interest received	\$ 43,501	\$ 67,164
A33200	Dividend received	1,547	1,129
A33200	Dividends received from associates	51,236	68,245
A33300	Interest paid	( 40,628)	( 48,950)
A33500	Income tax paid	( 7,465)	( 156,280)
AAAA	Net cash flows from operating activities	<u>803,966</u>	<u>1,264,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
B01800	Acquisition of long-term equity investment using the equity method	( 625,090)	( 65,200)
B01900	Disposal of long-term equity investments using the equity method	15,648	-
B02700	Acquisition of property, plant and equipment	( 395,156)	( 489,745)
B02800	Disposal of property, plant and equipment	3,437	5,037
B03700	Increase (decrease) in refundable guarantee deposits	( 215)	176
B04300	Increase (decrease) in advance loans from related parties	14,109	( 530,095)
B04500	Acquisition of Intangible assets	( 1,445)	( 471)
BBBB	Net cash used in investing activities	<u>( 988,712)</u>	<u>( 1,080,298)</u>
CASH FLOWS FROM FINANCIING ACTIVITIES			
C00100	Increase (decrease) in short-term loans	( 170,000)	270,000
C00500	Increase (decrease) in short-term bills payable	660,000	( 50,000)
C01600	Long-term borrowings	-	440,000
C01700	Repayment of long-term borrowings	( 474,667)	( 620,666)
C03100	Increase (decrease) in guarantee deposits received	( 592)	1,141
C03700	Increase (decrease) in advance loans payable to related parties	72,000	( 32,000)
C04020	Repayment of the principal portion of lease liabilities	( 236)	( 57)
C04500	Cash dividends to shareholders of the company	-	( 382,921)
CCCC	Net cash used in financing activities	<u>86,505</u>	<u>( 374,503)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>( 9,292)</u>	<u>( 976)</u>
EEEE	NET DECREASE IN CASH AND CASH EQUIVALENTS	( 107,533)	( 191,037)
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,232,460</u>	<u>1,423,497</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,124,927</u>	<u>\$ 1,232,460</u>

The accompanying notes are an integral part of the individual financial statements.

Chairman: KUO, SHAO YI    Manager: KUO, SHAO YI    Accounting Supervisor: Hsu, Li Hsueh

## LEALEA ENTERPRISE CORPORATION Limited and Subsidiaries

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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### 1. GENERAL

LEALEA ENTERPRISE CORPORATION Limited (hereinafter referred to as the “Company”), a Republic of China (R.O.C.) corporation, was incorporated in 1979 with an initial capital of NT\$16,000 thousand. After several capital increases the total capital was NT\$9,573,029 thousand as of December 31, 2020. The Company is mainly engaged in the manufacturing and sales of polyester fully oriented yarn, polyester draw textured yarn, and polyester chip. Its factories are located in Zhongli District, Taoyuan City and Fangyuan Township, Changhua County. In addition, the Company has added a construction department since the second half of 2004, which cooperated with its affiliate Rich Development Company Limited to work together on building and selling residences and other businesses. On August 1990, LEALEA ENTERPRISE shares were officially listed and traded on the Taiwan Stock Exchange (TWSE).

The functional currency of the individual financial report of LEALEA ENTERP is expressed in New Taiwan Dollars.

### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying individual financial statements were approved and authorized by the Board of Directors on March 29, 2021.

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

In addition to the following explanations, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on accounting policies of the Company.

#### Covid-19-Related Rent Concessions (Amendment to IFRS 16).

The Company chose to negotiate with the lessor for rent directly related to COVID-19 by applying the revised practical expedients. Please refer to Note 4 for the relevant accounting policies. Before applying the amendment, the Company shall determine whether the aforementioned rent negotiation should apply the provisions of lease amendment.

The Company began to apply the amendment on January 1, 2020. Since the aforementioned rent negotiation only affected the year 2020, the retrospective application

of the amendment did not affect the retained earnings on January 1, 2020.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the Financial Supervisory Commission R.O.C. (hereinafter referred to as the "FSC") with effective date starting 2021

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) "	Effective from the date of release
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)	Effective for the annual reporting period beginning on January 1, 2021

- c. The IFRSs issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRS Standards 2018–2020 Reference to the Conceptual Framework (Amendments to IFRS 3 )	January 1, 2022 (Note 2)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	January 1, 2022 (Note 3)
IFRS 17 Insurance Contracts 1	To be determined by IASB
Amendments to IFRS 17	January 1, 2023
Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 6)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 7)
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022 (Note 4)
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, the above-mentioned new/revised/amended standards and interpretations will first apply to annual reporting period beginning after each date.

Note 2: The amendment of IFRS 9 is applicable to the exchange or clause modification of financial liabilities in the annual reporting period beginning after January 1, 2022. The amendment of IAS 41 "Agriculture" is applicable to fair value measurement in the annual reporting period beginning after January 1, 2022. The amendment to IFRS 1 "First Adoption of IFRSs" is retrospectively applied to the annual reporting period beginning after January 1, 2022.

Note 3: The amendment is applicable to business combinations with acquisition date in the annual reporting period beginning after January 1, 2022.

Note 4: The amendment is applicable to plants, real estate, and equipment with necessary locations and conditions that meet the modes of operations expected by the management after January 1, 2021.

Note 5: This amendment is applicable to contracts that have not fulfilled all obligations on January 1, 2022.

Note 6: The amendment effective date is deferred and will be applicable to the annual reporting period beginning after January 1, 2023

Note 7: This amendment is applicable to changes of accounting estimates and accounting policies in the annual reporting period beginning on January 1, 2023.

As of the date the accompanying Individual financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of Compliance**

The accompanying Individual financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **b. Basis of Preparation**

The accompanying Individual financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Fair value measurements are categorized into a three-level hierarchy, according to the observability and importance of the relevant input values, as follows:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical asset or liability that the entity can access at the measurement date
- (2) Level 2 inputs are inputs other than the quoted prices in determined in level 1 that are directly or indirectly observable for that asset or liability.
- (3) Level 3 inputs are unobservable inputs for the asset or liability.

##### **c. Classification of Current and Noncurrent Assets and Liabilities**

Current assets are:

- (1) Assets held for trading purposes.
- (2) Assets expected to be realized within 12 months after the balance sheet date.
- (3) Cash and cash equivalents (but excluding those restricted for exchange or settlement of liabilities more than 12 months after the balance sheet date).



Current liabilities are:

- (1) Obligations incurred for trading purposes
- (2) Obligations expected to be settled within 12 months after the balance sheet date. (It is still a current liability even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial report is issued)
- (3) The entity does not have an unconditional right to defer settlement of the liability for at least 12 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.

Those not belonging to the above-mentioned current assets or current liabilities are classified as noncurrent assets or noncurrent liabilities.

The Company is engaged in the construction projects with business cycle longer than one year. The assets and liabilities related to the construction businesses are classified as a current or noncurrent based on the time frame of normal business cycles.

#### **d. Business Combinations**

Business combinations are accounted for using the acquisition method. The acquisition-related costs are considered as expenses in the periods in which the costs are incurred and the services are received.

Goodwill is measured as the excess of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition date fair value of the previously held equity interest in the acquiree, which exceeds the share acquired by the Company in the fair value of the entity's identifiable net assets and commitments at the acquisition date. If, after reassessment, the net amount of the acquiree's identifiable assets and liabilities assumed at the acquisition date still exceeds the consideration transferred, the excess of the acquisition date fair value related to the acquiree's non-controlling interests and previously held equity interests in the acquiree will be accounted as bargain purchase benefit and immediately recognized in profit or loss.

When the consideration transferred by the Company in a business combination includes assets or liabilities arising from a contingent consideration agreement, the contingent consideration is measured at the acquisition date fair value as part of the consideration transferred exchanged for the acquiree.

The acquiree with present ownership interests is entitled to a proportionate share of non-controlling interests of the entity's net assets in the event of liquidation, measured by fair value.

Other non-controlling interests are measured at fair value.

If a change in the fair value of contingent consideration is treated as an adjustment during the measurement period, it will be accounted as a retrospective adjustment of the acquisition cost and a relative adjustment of goodwill. The measurement period adjustment refers to the adjustment aroused during the "measurement period" (which cannot exceed one year from the acquisition date) due to additional information obtained

after the acquisition date that affects the facts or circumstances as they existed at the acquisition date.

If changes in the fair value of contingent consideration are not treated as adjustments during the measurement period, the subsequent treatment will depend on the classification of the contingent consideration. For those classified as equity and listed in the capital reserve, the contingent consideration of the options shall not be remeasured, and its subsequent delivery will be adjusted in the equity and transferred to the capital reserve-the premium of the issuance of ordinary shares. Other contingent consideration is measured at fair value on the subsequent balance sheet date, and changes in fair value are recognized in profit or loss.

**e. Foreign Currencies**

While preparing financial statements, for those entities trade in currencies other than the functional currency of the entity, foreign currencies are converted into functional currency in accordance with the rates of exchange as on the date of initial transactions

Foreign currency monetary items are converted in accordance with the rates of exchange as on the date of balance sheet. The exchange differences arising from the delivery or the conversion of monetary items are accounted into current profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and the resulting conversion differences are listed in the current profit and loss. However, if the fair value change is recognized in other comprehensive gains and losses, the resulting conversion differences are listed in other comprehensive profit and loss.

Non-monetary items measured at historical cost in a foreign currency are translated in accordance with the rates of exchange as on the date of initial transactions and will not be converted again.

**f. Inventories**

Inventories refer to raw materials and supplies, finished goods, and work in progress. Inventories are stated at the lower of cost or net realizable value (NVR).

With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventory is calculated using weighted average method.

## **g. Investments Accounted for Using Equity Method**

Investments accounted for using the equity method include investments in subsidiaries and associates.

### **(1) Investment in subsidiaries**

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the company's share of losses to a subsidiary equals or exceeds its equity in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term equity that is essentially part of the company's net investment in the subsidiary), the Company recognizes losses based on shareholding ratio continually.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and cannot be amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, is recognized immediately in profit or loss.

To assess impairment, the Company must consider the cash-generating unit as a whole in the financial report and compare the recoverable amount with carrying amounts. If the recoverable amount of the asset increases subsequently, the reversal of the impairment loss shall be recognized as an interest, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the asset that should be deducted if the impairment loss is not recognized. Any reversal of the impairment loss attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's individual financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

## (2) Investment in associates

An associate is an entity over which the Company has significant influence but is not a subsidiary.

The Company adopts the equity method for investments in associates. Under the equity method, an investment in an associate is initially recognized in the individual statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and cannot be amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, is recognized immediately in profit or loss.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company adopts the equity method to record such a difference as an adjustment to equity and investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the capital reserve is used for the aforementioned adjustment and the balance of capital reserve derived from investment accounted for using equity method is not sufficient, the difference shall be registered under retained earnings.

When the Company's share of losses in the associate equals or exceeds its investment in the equity of the associate (including the carrying amount of the investment in the associate under the equity method and other long-term interests that, in substance, form part of the Company's net investment in the associate), the Company shall cease the recognition of further losses. The Company shall only recognize additional losses and liabilities within the scope of legal obligations, inferential obligations, or payments made on behalf of associates.

To assess impairment, the Company must consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable

and carrying amounts for the impairment test. The recognized impairment constitutes part of the carrying amount of the investment. Any reversal of the impairment loss has to be considered after subsequent increases in the recoverable amount of investment.

The Company shall suspend the use of the equity method on the day that its investment is no longer an associate and shall measure its retained equity in the original associate through fair value. The difference between the fair value, the amount gained from the disposal, and the carrying amount of the investment on the day the equity method ceases to apply shall be listed into the profit or loss of the current period. In addition, the basis accounting policies for amounts of the associate shown in other comprehensive profit or loss accounts shall follow the same basis applicable to the Company for direct disposal of related assets or liabilities of associates. For investment in associates that turns them into joint ventures or investment in joint ventures that turns them into associates, the Company shall continue to use the equity method and shall not reassess retained equity.

Profit or loss in upstream and downstream transactions between the Company and the associates or transactions between associates needs to be shown in the Individual financial statements when not affecting the interests of the Company or the associate.

#### **h. Property, Plant and Equipment**

Property, plant and equipment are stated at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment under construction are recognized at costs less accumulated impairment losses. The cost shall include professional service expenses and the cost of loans eligible for capitalization. Such assets shall be classified into appropriate property, plant and equipment categories upon completion and reaching the expected use status and the depreciation shall begin.

The Company shall adopt the straight-line basis or the units of production method for the depreciation of each property, plant and equipment in its useful life based on the nature of such property. If the lease period is shorter than the service life, depreciation shall be provided during the lease period. The Company shall conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods. The effects of changes in accounting estimates shall be applied prospectively.

When derecognizing property, plant, and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

**i. Intangible Assets**

Separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. The amortization of intangible assets within the useful life is in accordance with the straight-line method. The Company shall review the estimated useful life, residual value, and amortization method at least at the end of each year and defer the effect of any changes in applicable accounting estimates. Intangible assets with non-determined useful life are carried at cost less accumulated impairment losses.

When intangible assets are derecognized, the difference between the net disposal price and the asset's carrying amount is recognized in current profit and loss.

**j. Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units.

The cash-generating unit of amortized goodwill is tested for impairment annually (and when there is an indication that the cash generating unit may be impaired) by comparing the carrying amount of the unit containing goodwill with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

At the time of disposal of related cash-generating units, the amount of goodwill related the disposition of the operation that is included in the carrying amount of operation will be determined and accounted as disposition of profits and losses.

**k. Impairment of Assets related to Property, Plant and Equipment, Right-of-Use Assets, Intangible Assets (except Goodwill) and Contract Costs**

On each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets (except goodwill) to determine whether there is an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest group of cash-generating units in accordance with a reasonable and consistent allocation basis.

For intangible assets that have indefinite useful lives and are not yet available for use, impairment tests are conducted at least annually and when there are indications of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset, cash-generating unit, and contract cost related asset shall be increased to the revised recoverable amount, but the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) of the asset, cash generating unit, or contract cost related asset that was not impaired in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **I. Financial Instruments**

Financial assets and liabilities shall be recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### **(1) Financial assets**

Regular trading of financial assets shall be recognized and derecognized in accordance with transaction date accounting.

#### **(1.1) Measurement types**

Financial assets held by the Company are classified into these categories: financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, investment in debt instruments measured at fair value through other comprehensive gains and losses, and investments in equity instruments measured at fair value through other comprehensive profits and losses.

##### **(1.1.1) Financial assets measured at fair value through profit and loss**

This category includes financial assets that are mandatorily required to measure at fair value through profit or loss and designed to be measured at fair value through profit or loss.

The financial assets that are mandatorily required to measure at fair value through profit or loss include the equity instrument investment that is not specified to be measured at fair value through other comprehensive profits and losses, and investment in debt instruments that cannot meet the criteria of measuring assets at amortized cost or at fair value through other comprehensive profits and losses.

The designation as at fair value through profit or loss at the time of initial recognition is for eliminating or significantly reducing measurement or recognition inconsistencies.

Financial assets measured at fair value through profit and loss are measured at fair value. The dividends and interest generated are recognized in other income and interest income respectively, and the profit or loss generated by remeasurement is recognized in other benefits and losses. Please refer to Note 21 for the method of determining the fair value.

(1.1.2) Financial assets measured at amortized cost

The financial assets invested by the Company shall be classified as financial assets measured at amortized cost if both conditions below are met:

- (a) Where the financial asset is held under a certain business model with the purpose of holding financial assets to collect contract cash flow; and
- (b) The cash flow generated on specific dates specified in contractual terms is completely used to pay for the principal and interest for principal in external circulation.

After financial assets measured at amortized cost (including cash and cash equivalents, bills and accounts receivable measured at amortized cost) on initial recognition, they shall be measured through the effective interest rate approach to determine the total carrying amount minus the amortized cost of any impairment loss. All foreign currency exchange gains and losses shall be recognized in profit or loss. Except for the two following conditions, income from interest shall be calculated based on the effective interest rate multiplied by the total carrying amount of financial assets:

- (a) The interest income of a credit-impaired financial asset purchased or provided for the founding is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
- (b) Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Credit impaired financial assets refer to the issuer or debtor who has experienced major financial difficulties, defaults, the debtor is likely to apply for bankruptcy or other financial reorganization, or the active market for that financial assets disappears due to financial difficulties

Cash equivalents include time deposits with maximum maturity of 3 months from the date of acquisition, which are high liquid, can be converted into a fixed amount of cash at any time and have relatively low risk in price changes. They are used for satisfying short-term cash commitments

(1.1.3) Investment in debt instruments measured at fair value through other comprehensive profits and losses.

The debt instruments invested by the Company shall be classified as financial assets measured at fair value through other comprehensive profits and losses if both



conditions below are met:

- (a) Where the financial asset is held under a certain business model with the purpose of collecting contractual cash flow and selling financial assets; and
- (b) The cash flow generated on specific dates specified in contractual terms is completely used to pay for the principal and interest for principal in external circulation.

The investment in debt instruments measured at fair value through other comprehensive profits and losses is measured at fair value. The changes in the carrying amount belong to the interest income calculated by the effective interest method. Foreign currency exchange gains and losses and impairment losses or reversal benefits are recognized in profit and loss. The remaining changes are recognized in other comprehensive profit and loss, and are reclassified as profit and loss at the time of investment disposal.

(1.1.4) Investments in equity instruments measured at fair value through other comprehensive profits and losses

The Company may make an irrevocable choice on initial recognition and designate the investments in equity instruments that are not held for trading and not recognized by the acquirer of a business combination or having consideration to be measured at fair value through other comprehensive profits and losses.

Investments in equity instruments measured at fair value through other comprehensive profits and losses are subsequently measured at fair value with profits and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments at fair value through other comprehensive profits and losses are recognized in profit or loss when the rights of the Company to receive the dividends is established, unless the dividends clearly represent the recovery of part of the investment cost.

## (1.2) Impairment of financial Assets and Contract Assets

On each balance sheet date, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and for investments in debt instruments that are measured at fair value through other comprehensive profits and losses.

The loss allowance for accounts receivable, lease receivable and contract assets receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss over the expected life of a financial instrument.

When the Company, for the purpose of internal credit risk management and without considering the collateral held, determines that the debtor is unable to pay off the debt in accordance with internal or external information, it means that financial asset has defaulted.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive profits and losses, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

## (1.3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset as a whole, the difference between the carrying amount of the asset and the sum of the consideration received and any accumulated gains or losses recognized in other comprehensive profits and losses are recognized in profit or loss.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument at fair value through other comprehensive profits and losses, the difference between the carrying amount of the asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive profits and losses, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## (2) Financial liabilities

### (2.1) Subsequent assessment

Except for the following circumstances, all financial liabilities are measured at amortized cost by the effective interest method.

#### Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss include held for trading and designated as at fair value through profit or loss.

Financial liabilities held for trading are measured at fair value and the interest incurred is recognized in financial costs. Other benefits or losses arising from remeasurement are recognized in other benefits and losses. Please refer to Note 21 for the method of determining the fair value.

### (2.2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non cash assets or liabilities assumed) shall be recognized in profit or loss.

## (3) Derivative Financial Instruments

The derivative instruments signed by the Company include forward foreign exchange contracts, interest rate swap and cross currency swap, used for interest rate and exchange rate risk management for the Company.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is signed and are subsequently remeasured at fair value on the balance sheet date. The benefits or losses arising from subsequent measurement are taken directly to profit or loss. However, for derivatives designated as effective hedging instruments, the point at which they are recognized in profit or loss will depend on the nature of the hedging relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

If derivative instruments are embedded in the host contract of an asset within the scope of IFRS 9, the overall contract determines the classification of financial assets. The derivative is treated as a stand-alone derivative if it is embedded in the host contract of an asset that is not within the scope of IFRS 9 (such as embedded in a financial liability host contract), meets the definition of a derivative, does not have risks and characteristics closely related to those of host contracts, and the mixed contracts are not measured at fair value through profit or loss.

### **m. Revenue Recognition**

After the Company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

#### Commodity sales revenue

Revenue from sale of goods comes from customers who have the right to set prices and use the goods, have the main responsibility for resale, and bear the risk of obsolescence. The Company recognizes revenue and accounts receivable at this point.

While processing of materials supplied by the clients, the control of the ownership of processed products has not been transferred, so revenue is not recognized when receiving materials.

Property sales within the normal business scope are to collect fixed transaction prices in installments and recognize contract liabilities. After considering major financial components, the revenue is recognized when each property is completed and delivered to the buyer.

### **n. Leases**

The Company assesses whether the contract is (or contains) a lease on the date of contract establishment.

#### (1) The Company as lessor

When the lease clause transfers almost all the risks and benefits incidental to ownership of the asset to the lessee, it is classified as a financial lease. All other leases are classified as operating leases.

In accordance with operating lease standards, lease payments after deduction of lease incentives are recognized as income on a straight-line basis over the relevant lease period. The original direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expenses on a straight-line basis during the lease term. Lease negotiation with the lessee is treated as a new lease from the effective date of lease modification.

Variable lease payments in lease agreement, that don't depend on indexes or rates, are recognized as income in the current period.

When the lease includes both land and building elements, the Company assesses whether almost all the risks and benefits incidental to the ownership of each element have been transferred to the lessee in order to assess the classification of each element as a financial lease or an operating lease.

Lease payments are apportioned to land and buildings based on the relative proportion of the fair value of the land and building lease rights on the date of contract establishment. If the lease payment can be allocated reliably to these two elements, each element is treated according to the applicable lease classification. If the lease payment cannot be allocated reliably between the two elements, then the entire lease is classified as a finance lease. However, if both of these elements clearly meet the operating lease standards, the entire lease is classified as an operating lease.

## (2) The Company as lessee

Except for lease payments for low-value underlying asset leases and short-term leases that are subject to the applicable recognition exemption, the lease payments are recognized as expenses on a straight-line basis during the lease period, and other leases are recognized as the right-of-use asset and lease liability starting from commencement of the lease.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before commencement of the lease minus the lease incentives for compensation, the original direct cost and the estimated cost of restoring the underlying asset), and subsequently measured at the amount of cost minus accumulated depreciation and accumulated impairment losses, and adjust the remeasurement amount of the lease liability.

Right-of-use assets are separately expressed on individual balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the commencement of the lease to the expiration of the useful life or the expiration of the lease term, whichever is earlier.

The lease liability is initially measured by the present value of lease payments (including fixed payments). If the implicit interest rate of the lease is easily determinable, the lease payment is discounted using that interest rate. If the interest rate is not easily determinable, the incremental borrowing rate of the lessee should be used.

Subsequently, the lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period. For lease modifications that are not treated as separate leases, the remeasurement of the lease liability due to lease scope reduction is to reduce the right-of-use asset and to recognize the profit and loss of the partial or full termination of the lease. The remeasurement of the lease liability due to other modifications is to adjust the right-of-use asset.

The Company negotiates with the lessor for COVID-19 related rent concessions for the adjustment of the rent due before June 30, 2021, resulting in a decrease in rent, and these negotiations did not significantly change other lease terms. The Company chooses to adopt practical expedients to deal with the rent negotiation that meets the aforementioned conditions without assessing whether the negotiation is a lease modification, but recognizes the reduction in lease payments in the profit and loss when the concession event or situation occurs, and relatively reduces the lease liability.

**o. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in net income in the period in which they are incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**p. Government Grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants related to income are recognized in the profit and loss on a systematic basis during the period when it is intended to compensate to the expenses accounted by the Company.

If the government grants are used to compensate for the expenses or losses that have occurred, or are for the purpose of providing immediate financial support to the Company and there are no future related costs, they are recognized in the profit and loss during the period when it can be received.

**q. Employee benefits**

(1) Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

(2) Benefits after retirement

Pension funds that are verified as contribution for retirement plans are recognized as expenses according to the amount of funds contributed to pension in the employee's service period.

The defined cost of benefits under the defined benefit retirement plan (including service cost, net interest, and the rereasurement amount) are calculated based on the projected unit credit method. The service cost (including the service cost of the current period and the net interest of the net defined benefit liabilities or assets) are recognized as employee benefit expenses as they occur. The rereasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It shall not be reclassified to profit or loss in subsequent periods.

The net defined benefit liabilities (assets) are the shortfall (surplus) of the defined benefit retirement plan. The net defined benefit assets may not exceed the present value of refund from the plan or reductions in future contributions.

#### **r. Treasury Shares**

The treasury shares are recognized at the purchase cost when the Company reacquired these company stocks. When disposing of treasury shares, the price difference generated by the treasury stock exchange is recognized in shareholders' equity. The company's subsidiaries hold the company's stocks, which are treated as treasury shares in accordance with the provisions of the International Financial Reporting Standards (IFRS) Bulletin No. 2 "Share Basic Payment".

The Company acquires company stocks within the scope of the law. Before disposition or cancellation of the treasury shares, the costs of recovery or acquisition are listed as the deduction of the equity of shareholders.

When disposing of treasury shares, if the disposal price is higher than the carrying value, the difference is adjusted to capital reserve-treasury shares. If the disposal price is lower than the carrying value, the difference shall offset the capital reserve generated by the same type of treasury stock exchange. If it is insufficient, the retained earnings shall then be offset.

#### **s. Income Tax**

Income tax expense is the aggregate amount current tax and deferred tax.

##### **(1) Current income tax**

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, and the annual recognition is determined in accordance with the resolution of the shareholders meeting.

Adjustments to income tax payable in previous years are included in current income tax.

##### **(2) Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the individual financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carry forwards or machinery and equipment purchased, and tax credits for research and development expenses and other expenses recognized when they are utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on every balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed on every balance sheet date and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted on every balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, on every balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

(3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

In the application of the aforementioned Company's accounting policies, the management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The management shall review the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical Accounting Judgments Related to Associates

The Company holds 15.89% of the shares of Li Peng Enterprise Company Limited (hereinafter referred to as "Li Peng Enterprise") and is its single largest shareholder. The assessment of various indicators identifies that the Company does not have the right to lead the relevant activities of Li Peng Enterprise, cannot appoint more than half of the members of its governance unit, and therefore has no control over Li Peng Enterprise. As such, the management of the Company concludes that the Company only has a significant influence on Li Peng Enterprise and therefore listed it as an associate of the Company.



## 6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and working fund	\$ 294	\$ 344
Bank cheques and demand deposits	66,902	59,957
Foreign currency deposits	68,619	111,691
Bank foreign currency time deposits with original maturity within 3 months	766,968	1,060,468
Short-term bill	<u>222,144</u>	<u>-</u>
	<u>\$ 1,124,927</u>	<u>\$ 1,232,460</u>

As of December 31, 2020, bank time deposits with an original maturity date of more than three months were NT\$253,866 thousand and accounted as other current financial assets.

## 7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Mandatory to measure at fair value through profit and loss – Current</u>		
Non-derivative financial assets		
– Domestic publicly traded stocks	<u>\$ 67,305</u>	<u>\$ 66,735</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Mandatory to measure at fair value through profit and loss – Noncurrent</u>		
Non-derivative financial assets		
– Foreign non-publicly traded common stocks	\$ 373	\$ 373
– Domestic non-publicly traded common stocks	<u>974</u>	<u>974</u>
	<u>\$ 1,347</u>	<u>\$ 1,347</u>

<u>Financial liabilities at fair value through profit or loss – Current</u>		
Derivatives (not designated as hedging instrument)		
– Foreign exchange contract	<u>\$ -</u>	<u>\$ 30,298</u>

(a) The foreign exchange contracts that did not apply hedge accounting and have not yet expired on the balance sheet date are as follows:

<u>December 31, 2019</u>			
<u>Currency</u>	<u>Expiration Date</u>	<u>Contract Amount</u>	<u>Exchange Rate</u>
US dollar to New Taiwan dollar	January 14, 2020 to Jan 21, 2020	US\$ 140,000 thousand/ NT\$ 4,229,100 thousand	30.18~30.25

The Company engages in exchange contract transactions to hedge the risks of exchange rate fluctuations associated with foreign currency assets and liabilities.

(b) The current financial assets and liabilities at fair value through profit and loss in 2020 and 2019 are assessed as NT\$30,867 thousand in gains and NT\$20,031 thousand in losses.

## 8. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
At amortized cost		
Total carrying amount	\$ 49,850	\$ 120,466
Notes receivable -related parties	12,833	25,408
Less: Loss allowance	( <u>498</u> )	( <u>1,205</u> )
	<u>\$ 62,185</u>	<u>\$ 144,669</u>
Arising from operating activities	<u>\$ 62,185</u>	<u>\$ 144,669</u>
 <u>Account receivable</u>		
At amortized cost		
Total carrying amount	\$ 422,826	\$ 608,238
Account receivable –related Parties	198,627	170,297
Less: Loss allowance	( <u>4,693</u> )	( <u>4,166</u> )
	<u>\$ 616,760</u>	<u>\$ 774,369</u>

### Account Receivable

In principle, the payment term granted by the Company to customers is due 30 days to 180 days from the end of the month, and no interest is accrued on accounts receivable.

Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels with consideration of factors of historical loss ratios and customers' financial conditions, competitiveness and business outlook.

To lower the credit risk, the management of the Company appoints a dedicated team to handle decisions on credit limits, credit approval, and other monitoring procedures for ensuring that appropriate actions are taken to recover overdue receivables.

In addition, the Company would review the recoverable amount of each receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As such, the management of the Company concludes that the credit risk of the Company is significantly reduced.

The Company assesses the allowances for losses for notes and accounts receivable (excluding related parties) on balance sheet date as follows:

## December 31, 2020

	<u>Within 30 days</u>	<u>31~60 days</u>	<u>61~90 days</u>	<u>91~120 days</u>	<u>Over 121 days</u>	<u>Total</u>
Expected credit loss rate	0.5%~1%	0.5%~3%	0.5%~10%	0.5%~50%	0.5%~100%	
Total carrying amount	\$ 377,759	\$ 66,578	\$ 16,314	\$ 11,854	\$ 171	\$ 472,676
Loss allowance (expected credit loss over the period)	( <u>2,592</u> )	( <u>1,681</u> )	( <u>592</u> )	( <u>314</u> )	( <u>12</u> )	( <u>5,191</u> )
Amortized cost	<u>\$ 375,167</u>	<u>\$ 64,897</u>	<u>\$ 15,722</u>	<u>\$ 11,540</u>	<u>\$ 159</u>	<u>\$ 467,485</u>

## December 31, 2019

	<u>Within 30 days</u>	<u>31~60 days</u>	<u>61~90 days</u>	<u>91~120 days</u>	<u>Over 121 days</u>	<u>Total</u>
Expected credit loss rate	0.5%~1%	0.5%~3%	0.5%~10%	0.5%~50%	0.5%~100%	
Total carrying amount	\$ 514,626	\$ 110,269	\$ 45,469	\$ 49,160	\$ 9,180	\$ 728,704
Loss allowance (expected credit loss over the period)	( <u>3,596</u> )	( <u>1,256</u> )	( <u>227</u> )	( <u>246</u> )	( <u>46</u> )	( <u>5,371</u> )
Amortized cost	<u>\$ 511,030</u>	<u>\$ 109,013</u>	<u>\$ 45,242</u>	<u>\$ 48,914</u>	<u>\$ 9,134</u>	<u>\$ 723,333</u>

Information regarding changes in the allowance for losses of notes and Accounts receivable is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 5,371	\$ 10,660
Less: Reversal on impairment loss	( <u>180</u> )	( <u>5,289</u> )
Balance, end of year	<u>\$ 5,191</u>	<u>\$ 5,371</u>

## **9. INVENTORIES**

(a) The inventory details related to textile business are as follow:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 788,245	\$ 1,375,349
Work in process	25,697	28,058
Raw materials	489,438	443,930
Inventory in transit	<u>211,207</u>	<u>79,682</u>
	<u>\$ 1,514,587</u>	<u>\$ 1,927,019</u>

As of 2020 and 2019, the costs of goods sold related to the inventories of textile business were NT\$7,021,196 thousand and NT\$9,761,445 thousand, respectively.

The costs of goods sold related to textile business in 2020 and 2019 including inventory valuation loss and gains on inventory value recoveries of NT\$31,586 thousand and NT\$5,165 thousand, respectively.

As of December 31, 2020 and 2019, the allowances for reduction of inventory to market related to textile business were NT\$122,272 thousand and NT\$153,858 thousand, respectively.

The profit from the increase in the net realizable value of inventories in 2020 and 2019

was mainly from the disposal of the inventory that was originally listed as a loss for market price decline.

Due to the impact of the novel coronavirus epidemic, the relevant expenditures for the shutdown period of some production lines have been fully included as current costs.

(b) The inventory related to construction business:

The inventory of the construction business refers to parking spaces for sale, which are mechanical or flat parking spaces jointly held by Rich Development Company Limited, each accounting for one-half of the rights. As of December 31, 2020, the impairment provision has been made and the carrying value is NT\$ 0.

As of 2020 and 2019, the construction costs related to the inventories of construction businesses were NT\$0 thousand and NT\$ 2,687 thousand, respectively.

The construction costs related to construction businesses in 2020 and 2019 included the gains on inventory value recoveries of NT\$0 thousand and NT\$2,760 thousand, respectively.

As of December 31 2020 and 2019, the allowance for reduction of inventory to market for the construction business was NT\$15,702 thousand.

As of 2019, gains on inventory value recoveries of the net realizable value of the inventories related to the construction business were NT\$2,760 thousand, which was caused by the sale of some houses and parking spaces for sale to non-related parties in 2019.

## **10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment in Subsidiaries	\$ 2,074,091	\$ 1,624,620
Investment in Associates	<u>4,028,175</u>	<u>3,732,352</u>
	<u>\$ 6,102,266</u>	<u>\$ 5,356,972</u>

(a) Investment in Subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unlisted or Private Company		
LIHAO INVESTMENT CO. Ltd.	\$ 475,770	\$ 465,307
LIZAN INVESTMENT CO. Ltd.	267,327	281,728
LEA JIE ENERGY CO. Ltd.	234,810	225,267
LIBOLON ENTERPRISE CO. Ltd.	10,329	15,831
PT. INDONESIA LIBOLON FIBER SYSTEM		
	<u>1,085,855</u>	<u>636,487</u>
	<u>\$ 2,074,091</u>	<u>\$ 1,624,620</u>

Subsidiary Name	<u>Percentage of Equity and Voting Rights Held</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
LIHAO INVESTMENT CO. Ltd.	53.38%	53.38%
LIZAN INVESTMENT CO. Ltd.	53.17%	53.17%
LEA JIE ENERGY CO. Ltd.	70.00%	70.00%
LIBOLON ENTERPRISE CO. Ltd.	100.00%	100.00%
PT. INDONESIA LIBOLON FIBER SYSTEM	70.00%	70.00%

On March 18, 2019, the company did not subscribe for the cash capital increase of LIBOLON Enterprise Co., Ltd. in proportion to its shareholding ratio. As a result, the shareholding ratio increased from 90.78% to 100%. Since the transaction did not change the Company's control over the LIBOLON Enterprise, the Company treats it as an equity transaction, and calculates the balance of the equity transaction as NT\$1,543 thousand, which is deducted from the capital reserve in the account.

(b) Investment in Associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Significant associate		
LI PENG ENTERPRISE CO., LTD.	\$ 1,608,134	\$ 1,589,239
Individually insignificant associates	<u>2,420,041</u>	<u>2,143,113</u>
	<u>\$ 4,028,175</u>	<u>\$ 3,732,352</u>

(1) Significant associates

Investee Company Name	<u>Percentage of Equity and Voting Rights Held</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
LI PENG ENTERPRISE CO., LTD.	15.89%	15.89%

Please refer to "Information on Investees, Locations, etc." in Table 6 for information on the nature of business, its area of operations, and country of company registry of the above associates.

The information of the quoted price in active markets of associates, the level 1 fair

value measurement, is as follows:

<u>Investee Company Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
LI PENG ENTERPRISE CO., LTD	<u>\$ 1,311,092</u>	<u>\$ 1,016,023</u>
RICH DEVELOPMENT Co., LTD.	<u>\$ 544,319</u>	<u>\$ 546,911</u>

The Company adopts the equity method to measure all the above-mentioned associates.

The following summary financial information is prepared on the basis of each associate's financial statements in accordance with IFRSs, and has reflected the adjustments made when the equity method is adopted.

LI PENG ENTERPRISE CO., LTD.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 6,088,742	\$ 7,465,967
Noncurrent assets	11,241,168	10,213,716
Current liabilities	( 5,352,555 )	( 6,574,025 )
Noncurrent liabilities	( 2,258,701 )	( 1,511,665 )
Equity	9,718,654	9,593,993
Treasury Stock	432,404	432,404
	<u>\$ 10,151,058</u>	<u>\$ 10,026,397</u>
Shareholding ratio of the Company	15.89%	15.89%
Equity attributable to the Company	\$ 1,613,008	\$ 1,593,195
Unrealized profits and losses of upstream transactions	( 4,874 )	( 3,956 )
Investment carrying amount	<u>\$ 1,608,134</u>	<u>\$ 1,589,239</u>
	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 10,369,775</u>	<u>\$ 14,452,347</u>
Net loss of this period	( \$ 429,571 )	( \$ 268,889 )
Other comprehensive income and loss	<u>537,701</u>	( <u>80,242</u> )
Total comprehensive income and loss	<u>\$ 108,130</u>	( <u>\$ 349,131</u> )

(2) Summary information of individually insignificant associates

	<u>2020</u>	<u>2019</u>
Share of the Company		
Continuing operation		
Net income of this period	\$ 36,813	\$ 76,146
Other comprehensive income and loss	<u>292,802</u>	( <u>59,704</u> )
Total comprehensive income and loss	<u>\$ 329,615</u>	<u>\$ 16,442</u>

The recognition of share for both the profits and losses of the Company's investments

accounted for using the equity method and other comprehensive profits and losses is based on the financial statements of each associate audited by accountants during the same period. Among them, the financial statements of Rich Development Company Limited, Fuli Express Co., Ltd. and PT LONG JOHN INNOVATION MATERIAL are audited by the other accountants, instead of the Company's certified accountant.

## 11. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2020						December 31, 2019	
Lands owned by the Company	\$ 1,485,305						\$ 1,539,559	
Buildings	944,692						1,012,989	
Machinery Equipment	1,752,891						1,963,558	
Transportation Equipment	14,095						20,246	
Other Equipment	145,379						174,709	
Leased Assets	587,299						593,449	
Equipment awaiting Examination	4,232						85	
	<u>\$ 4,933,893</u>						<u>\$ 5,304,595</u>	

	Lands used by the Company	Buildings	Machinery Equipment	Leased Assets	Transportation Equipment	Other Equipment	Equipment awaiting Examination	Total
<b>Cost</b>								
Balance at January 1, 2019	\$ 1,488,484	\$ 2,399,118	\$ 10,181,101	\$ 791,445	\$ 91,993	\$ 1,595,016	\$ 15,853	\$ 16,563,010
Additions	-	2,422	472,583	-	2,526	49,987	( 15,768 )	511,750
Disposals	-	( 8,133 )	( 570,662 )	-	( 1,501 )	( 16,492 )	-	( 596,788 )
Transfers	54,254	11,323	-	( 65,577 )	-	-	-	-
Balance at December 31, 2019	<u>\$ 1,542,738</u>	<u>\$ 2,404,730</u>	<u>\$ 10,083,022</u>	<u>\$ 725,868</u>	<u>\$ 93,018</u>	<u>\$ 1,628,511</u>	<u>\$ 85</u>	<u>\$ 16,477,972</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2019	\$ 3,179	\$ 1,308,959	\$ 8,235,669	\$ 136,317	\$ 66,457	\$ 1,426,623	\$ -	\$ 11,177,204
Disposals	-	( 8,134 )	( 569,964 )	-	( 1,501 )	( 16,485 )	-	( 596,084 )
Depreciation	-	84,839	453,759	-	8,885	44,774	-	592,257
Transfers	-	6,077	-	( 3,898 )	( 1,069 )	( 1,110 )	-	-
Balance at December 31, 2019	<u>\$ 3,179</u>	<u>\$ 1,391,741</u>	<u>\$ 8,119,464</u>	<u>\$ 132,419</u>	<u>\$ 72,772</u>	<u>\$ 1,453,802</u>	<u>\$ -</u>	<u>\$ 11,173,377</u>
Carrying amounts at December 31, 2019	\$ 1,539,559	\$ 1,012,989	\$ 1,963,558	\$ 593,449	\$ 20,246	\$ 174,709	\$ 85	\$ 5,304,595
<b>Cost</b>								
Balance at January 1, 2020	\$ 1,542,738	\$ 2,404,730	\$ 10,083,022	\$ 725,868	\$ 93,018	\$ 1,628,511	\$ 85	\$ 16,477,972
Additions	-	2,505	276,293	-	1,309	16,984	4,147	301,238
Disposals	-	-	( 279,866 )	-	( 3,908 )	( 51,634 )	-	( 335,408 )
Transfers	( 54,254 )	( 10,213 )	( 666 )	-	-	( 291 )	-	( 65,424 )
Balance at December 31, 2020	<u>\$ 1,488,484</u>	<u>\$ 2,397,022</u>	<u>\$ 10,078,783</u>	<u>\$ 725,868</u>	<u>\$ 90,419</u>	<u>\$ 1,593,570</u>	<u>\$ 4,232</u>	<u>\$ 16,378,378</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	\$ 3,179	\$ 1,391,741	\$ 8,119,464	\$ 132,419	\$ 72,772	\$ 1,453,802	\$ -	\$ 11,173,377
Disposals	-	-	( 276,755 )	-	( 3,453 )	( 49,712 )	-	( 329,920 )
Depreciation	-	71,759	483,183	6,150	7,005	44,101	-	612,198
Transfers	-	( 11,170 )	-	-	-	-	-	( 11,170 )
Balance at December 31, 2020	<u>\$ 3,179</u>	<u>\$ 1,452,330</u>	<u>\$ 8,325,892</u>	<u>\$ 138,569</u>	<u>\$ 76,324</u>	<u>\$ 1,448,191</u>	<u>\$ -</u>	<u>\$ 11,444,485</u>
Carrying amounts at December 31, 2020	\$ 1,485,305	\$ 944,692	\$ 1,752,891	\$ 587,299	\$ 14,095	\$ 145,379	\$ 4,232	\$ 4,933,893

(a) The property, plant, and equipment of the Company are depreciated on a straight-line basis based on the following durability years:

Buildings	
Office Building and Plant	25~40 years
Warehouse	10~25 years
Hydroelectric Engineering	10~20 years
Maintenance and Repair Engineering	3~10 years
Machinery Equipment	
Machinery Engineering	5~15 years

Electrical Engineering	5~9 years
Maintenance and Repair Engineering	2~5 years
Transportation Equipment	
Lifts and Elevators	10~15 years
Fork Lift and Pallet Truck	5~6 years
Other Equipment	
Power Equipment	9~15 years
Engineering Facilities	5~15 years
Other Facilities	5~10 years
Maintenance and Repair Engineering	2~5 years

(b) Please refer to Note 13 and 23 for the amount related to property, plant, and equipment that the Company set pledge as loan guarantee.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land, Buildings, and Machinery Equipment	<u>\$ 2,629,702</u>	<u>\$ 2,793,273</u>

(c) The company signed a contract with a non-related party on August 2020 in order to sell the lands and buildings in Fangyuan Township, Changhua County. On December 31, 2020, the carrying amount was NT\$54,255 thousand classified under other current assets. The total contract amount is NT\$ 414,528 thousand, which is expected to generate a disposal benefit of NT\$360,273 thousand. As of December 31, 2020, NT\$124,358 thousand had been received in advance. Because the relevant disposal procedures have not been completed, the account is classified under other current liabilities.

## 12. LEASE ARRANGEMENTS

(a) Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Lands	<u>\$ 720</u>	<u>\$ 1,192</u>
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 1,252</u>
Depreciation of right-of-use assets		
Lands	<u>\$ 180</u>	<u>\$ 60</u>

(b) Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Current portion	<u>\$ 107</u>	<u>\$ 232</u>
Noncurrent portion	<u>\$ 541</u>	<u>\$ 963</u>



Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lands	1.4749%	1.4749%

(c) Other lease information

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 9,786</u>	<u>\$ 9,886</u>
Total cash outflow for leases	<u>( \$ 10,034 )</u>	<u>( \$ 9,947 )</u>

**13. BORROWINGS**

(a) Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured bank loans</u>		
Bank loans	\$ 300,000	\$ 1,000,000
<u>Unsecured bank loans</u>		
Credit limit loans	<u>1,450,000</u>	<u>920,000</u>
	<u>\$ 1,750,000</u>	<u>\$ 1,920,000</u>

The interest rates of bank revolving loans were 0.3394% to 0.868% and 0.6815% to 1.2136% as of December 31, 2020 and 2019, respectively.

The interest rates of secured bank loans were 0.82% and 0.96% to 0.98% on December 31, 2020 and 2019, respectively.

The short-term loans on December 31, 2020 and 2019 were collateral for property, plant and equipment. Please refer to Notes 11 and 23.

(b) Short-term bills payable—Commercial paper

	<u>December 31, 2020</u>	
<u>Guarantee Agency</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>
<u>Unsecured</u>		
China Bills, Ta Ching Bills, MEGA Bills, TAIWAN Finance, International Bills, Grand Bills	0.36%~0.67%	<u>\$ 770,000</u>
	<u>December 31, 2019</u>	
<u>Guarantee Agency</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>
<u>Unsecured</u>		
China Bills	0.58%	<u>\$ 110,000</u>

(c) Long-term loans

	<u>Interest Rate</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Long-term bank loans			
CHANG HWA COMMERCIAL BANK, LTD.			
The total amount of credit loans dated as August 15, 2017 to August 15, 2022 is NT\$800 million with interest paid monthly. The repayment of the first installment started on November 15, 2019. After that, every 3 months is one installment, and the principal will be amortized evenly in 12 installments.	1.4%~1.7%	\$ 116,667	\$ 183,334
CENTRAL BANK OF THE REPUBLIC OF CHINA (TAIWAN)			
The total amount of credit loans dated as August 15, 2017 to June 14, 2022 is NT\$500 million. The loan will be allocated once or in installments within two years after the contract, and the interest will be paid monthly. The repayment of the first installment started on December 14, 2019. After that, every 6 months is one installment, with a total of 6 installments. The repayment of the first 5 installments will be repaid NT\$80 million per installment. The sixth installment will be repaid NT\$100 million.	1.1945%~ 1.6543%	260,000	420,000

	Interest Rate	December 31, 2020	December 31, 2019
THE EXPORT-IMPORT BANK OF THE REPUBLIC OF CHINA			
The total amount of credit loans dated as September 15, 2017 to September 15, 2022 is NT\$600 million. Five years from disbursement date, the interest must be made on the twenty-first day of every 3 months. The repayment of the first installment started on March 15, 2019. After that, every 6 months is one installment, and the principal will be amortized evenly in 8 installments.	1.1299%~ 1.3690%	275,000	425,000
MEGA INTERNATIONAL COMMERCIAL BANK CO. LTD.			
The total amount of mortgage loans for land, buildings, and machinery equipment dated as September 15, 2017 to September 15, 2022 is NT\$700 million, with interest paid per month. The extension period of each loan shall not exceed 180 days. Each loan shall be repaid at the expiration date and may be used in revolving.	1.2938%~ 1.492747%	343,000	441,000
		994,667	1,469,334
Less: Portion of current liabilities due within one year		( <u>474,667</u> )	( <u>474,667</u> )
		<u>\$ 520,000</u>	<u>\$ 994,667</u>

According to the provisions of the loan contract of Mega International Commercial Bank Co., Ltd., the annual consolidated financial statements audited by an accountant during the period of the loan shall maintain a specific financial ratio. If the agreed financial ratio is not reached, the loan interest rate is calculated based on the agreed interest rate plus an annual interest rate of 0.15%. The description is as follows:

Current ratio, current assets divided by current liabilities, shall not be less than 100%. Debt ratio, total liabilities divided by total equity, shall not be higher than 110%. Interest protection multiple is a ratio calculated by dividing the net profit before tax plus interest expense plus depreciation plus amortization by the interest expense, that shall not less than 5 times.

Formula:

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

Debt ratio= (Total liabilities) / (Total equity)

Interest Protection Multiple = [(Net profit before tax + Interest expense + Depreciation + Amortization) / (Interest expense)]

For collateral for long-term loans, please refer to Notes 11 and 23.

#### 14. RETIREMENT BENEFIT PLANS

(a) Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the “Act”) managed by the government is deemed a defined contribution plan. Pursuant to the Act, LEALEA ENTERPRISE CORPORATION Limited and subsidiaries have made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts.

(b) Defined benefit plans

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee’s length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by Bureau of Labor Funds (MOL); as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans, included in the individual balance sheet, were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 379,523	\$ 442,499
Fair Value of Plan Assets	( <u>73,484</u> )	( <u>120,431</u> )
Net defined benefit liability	<u>\$ 306,039</u>	<u>\$ 322,068</u>

Movements in the present value of the net defined benefit liabilities or assets were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance as of January 1, 2019	\$ 427,939	( \$ 87,852 )	\$ 340,087
Service cost			
Current service cost	5,531	-	5,531
Interest expense (income)	4,814	( 1,111 )	3,703
Recognized in profit and loss	<u>10,345</u>	<u>( 1,111 )</u>	<u>9,234</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	( 3,081 )	( 3,081 )
Actuarial loss (gain) arising from			
– Changes in demographic assumptions	200	-	200
– Changes in financial assumptions	19,641	-	19,641
– Experience adjustments	<u>4,675</u>	<u>-</u>	<u>4,675</u>
Components of defined benefit costs recognized in other comprehensive income	<u>24,516</u>	<u>( 3,081 )</u>	<u>21,435</u>
Contributions from employer	-	( 48,688 )	( 48,688 )
Benefits paid	<u>( 20,301 )</u>	<u>20,301</u>	<u>-</u>
December 31, 2019	<u>\$ 442,499</u>	<u>( \$ 120,431 )</u>	<u>\$ 322,068</u>
Balance as of January 1, 2020	\$ 442,499	( \$ 120,431 )	\$ 322,068
Service cost			
Current service cost	4,766	-	4,766
Interest expense (income)	3,319	( 984 )	2,335
Recognized in profit and loss	<u>8,085</u>	<u>( 984 )</u>	<u>7,101</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	( \$ 3,602 )	( \$ 3,602 )
Actuarial loss (gain) arising from			
– Changes in demographic assumptions	88	-	88
– Changes in financial assumptions	10,705	-	10,705
– Experience adjustments	<u>( 9,025 )</u>	<u>-</u>	<u>( 9,025 )</u>
Components of defined benefit costs recognized in other comprehensive income	<u>1,768</u>	<u>( 3,602 )</u>	<u>( 1,834 )</u>
Contributions from employer	-	( 21,296 )	( 21,296 )
Benefits paid	<u>( 72,829 )</u>	<u>72,829</u>	<u>-</u>
December 31, 2020	<u>\$ 379,523</u>	<u>( \$ 73,484 )</u>	<u>\$ 306,039</u>

The amount of the defined benefit plans was recognized in profit or loss, according to the function categories summarized as follows:

	2020	2019
Cost of revenue	\$ 6,076	\$ 7,906
Marketing expenses	508	627
General and administrative expenses	275	375
Research and development expenses	<u>242</u>	<u>326</u>
	<u>\$ 7,101</u>	<u>\$ 9,234</u>

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks:

- (1) Investment risk: The pension funds are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds (MOL). However, the allocable amount of the plan assets shall be calculated no less than the average interest rate on a two-year time deposit published by the local banks.
- (2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation, but the return on debt investments of plan assets will increase accordingly, and both of them have the partial offset effect on the influence of the net defined benefit liabilities.
- (3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.50%	0.75%
Long-term average salary increase rate	2.25%	2.25%

If reasonably possible changes occur in major actuarial assumptions while all other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increase by 0.25%	( \$ 10,705 )	( \$ 13,229 )
Decrease by 0.25%	\$ 11,135	\$ 13,788
Expected average salary increase rate		
Increase by 0.25%	\$ 10,759	\$ 13,353
Decrease by 0.25%	( \$ 10,401 )	( \$ 12,882 )

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected appropriation amount within 1 year	\$ 41,120	\$ 21,532
Average maturity period of defined benefit obligations	11.4 years	12.2 years

## 15. EQUITY

### (a) Capital

#### Common stocks

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands)	<u>1,200,000</u>	<u>1,200,000</u>
Authorized capital	<u>\$ 12,000,000</u>	<u>\$ 12,000,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>957,303</u>	<u>957,303</u>
Issued capital	<u>\$ 9,573,029</u>	<u>\$ 9,573,029</u>

- (1) As of December 31, 2020, the paid-in capital of the Company was NT\$9,573,029 thousand, divided into 957,302,942 shares, each with a par value of NT\$10, all of which were common stocks.
- (2) A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

(b) Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Treasury share transactions	\$ 22,889	\$ 22,889
Changes in capital surplus of associates accounted for using equity method	51,015	55,617
Acquisition the equity price and carrying amount of the subsidiaries)	4,518	4,518
	<u>\$ 78,422</u>	<u>\$ 83,024</u>

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, treasury stock transactions, and acquisition or disposition from the difference between the equity price and carrying amount of the subsidiaries) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. However, the capital replenishment is restricted to a certain ratio of paid-in capital each year.

The capital surplus from the investments accounted for using equity method may not be used for other purposes, except for a deficit offset.

(c) Retained earnings and dividend policy

- (1) According to the regulations on earnings distribution in the Articles of Incorporation of the Company, in the event of surplus earnings after closing of annual accounts, losses incurred in preceding years shall be compensated first. Then, 10% of the remainder surplus shall be set aside as legal capital reserve in accordance with the law. However, in the event that the accumulated legal capital reserve is equivalent to or exceeds the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. If there are remaining earnings, the Board of Directors shall draft an earnings distribution proposal regarding the remainder of the earnings as well as accumulated undistributed surplus at the beginning of the year, at which the 0% to 100% distributable surplus may be set aside, for approval at the shareholders' meeting. Among them, the cash dividend shall not be less than 5% of the total dividend. However, if the cash dividend per share does not reach NT\$ 0.1, distribution of earnings may be made by way of stock dividend. Due to the volatile industrial environment and the development of diversification, the Board of Directors may have distribution of earnings to be made by way of stock dividend totally after considering the current operating conditions and the capital budget. Please refer to Note 16 (7) Employee remuneration and remuneration for Directors and Supervisors for the distribution policy for remuneration for employees, Directors, and Supervisors in the Articles of Incorporation of the Company.
- (2) The appropriation of 2018 earnings has been approved by the shareholders of the Company in its meeting held on June 12, 2019. The appropriation and cash dividends per share were as follows:

	Appropriation of Earnings	Cash dividends per share (NT\$)
	2018	2018
Legal capital reserve	\$ 41,559	\$ -
Cash dividends to shareholders	382,921	0.4

The Company held a general shareholders' meeting on June 18, 2020, and decided not to distribute 2019 appropriation of earnings.

The Company appropriates and reverses special surplus reserve in accordance with the regulations in Jin-Guan-Zheng-Fa's Letter No. 1010012865, No. 1010047490, and No. 1030006415 issued by the Financial Supervisory Commission (FSC), and "Q&A on the Applicability of the Appropriation of Special Surplus Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)".

The legal capital reserve is supplemented until the balance equals the Company's total paid-in capital. The legal capital reserve may be used to make up for losses. When the Company has no loss, the portion of the legal capital reserve that exceeds 25% of the total paid-in capital may be appropriated in cash in addition to being transferred to capital stock.

#### (d) Treasury stocks

The changes in the number of treasury shares of the Company in 2020 and 2019 are illustrated below:

2020				
Withdrawal Reason	Number of Shares, Beginning of Year	Increase in Current Period	Decrease in Current Period	Number of Shares, End of Year
Shares of parent company held by subsidiaries	10,774,028	-	-	10,774,028
2019				
Withdrawal Reason	Number of Shares, Beginning of Year	Increase in Current Period	Decrease in Current Period	Number of Shares, End of Year
Shares of parent company held by subsidiaries	10,774,028	-	-	10,774,028



The purpose of holding the Parent Company's shares by the subsidiaries is to protect shareholders' rights and interests. The relevant information is illustrated below:

Name of Subsidiary	Number of Shares Held	Transfer Amount of Treasury Stock
<u>December 31, 2020</u>		
LIHAO INVESTMENT Company Limited	4,672,653	\$ 11,842
LIZAN INVESTMENT Company Limited	6,101,375	<u>16,628</u>
		<u>\$ 28,470</u>

Name of Subsidiary	Number of Shares Held	Transfer Amount of Treasury Stock
<u>December 31, 2019</u>		
LIHAO INVESTMENT Company Limited	4,672,653	\$ 11,842
LIZAN INVESTMENT Company Limited	6,101,375	<u>16,628</u>
		<u>\$ 28,470</u>

The Company accounted NT\$28,470 thousand in treasury stocks on December 31, 2020 and 2019, that is the amount of parent company shares held by LIHAO INVESTMENT Company Limited and LIZAN INVESTMENT Company Limited and transferred as treasury stocks. The transfer amount has been adjusted in accordance with the comprehensive shareholding ratio of the Company in its subsidiaries. The market price of the Company on December 31, 2020 was NT\$13.2 per share.

The treasury stocks held by the Company shall not be pledged in accordance with the provisions of the Securities Exchange Law, nor shall it entitled to the rights of dividend distribution and voting.

## 16. INCOME FROM CONTINUING OPERATIONS

### (a) Interest income

	<u>2020</u>	<u>2019</u>
Interest on bank deposits	\$ 27,085	\$ 48,032
Interest on advance loans to related parties	13,329	19,199
Others	<u>2,277</u>	<u>-</u>
	<u>\$ 42,691</u>	<u>\$ 67,231</u>

### (b) Other income

	<u>2020</u>	<u>2019</u>
Rental income		
Rental income from operating lease	\$ 53,042	\$ 51,443
Dividend income	1,547	1,129
Others (Please refer to Note 25.)	<u>70,321</u>	<u>26,891</u>
	<u>\$ 124,910</u>	<u>\$ 79,463</u>

### (c) Other gains and losses

	<u>2020</u>	<u>2019</u>
Gains (losses) on disposal of property, plant and equipment	(\$ 2,051)	\$ 4,333
Foreign exchange losses (gains), net	( 230,010)	( 77,692)
Gains (losses) on financial assets and financial liabilities at fair value through profit or loss	30,867	( 20,031)
Gains (losses) on disposal of investments	62	-
Other losses	<u>( 13,980)</u>	<u>( 9,392)</u>
	<u>(\$ 215,112)</u>	<u>(\$ 102,782)</u>

### (d) Finance costs

	<u>2020</u>	<u>2019</u>
Interest on bank loans	\$ 33,881	\$ 42,928
Interest on borrowings from related parties	1,981	2,353
Finance expenses	1,320	1,042
Interests on lease liabilities	10	4
Others	<u>2,795</u>	<u>2,722</u>
	<u>\$ 39,987</u>	<u>\$ 49,049</u>

Capitalization of interest related information is as follows:

	<u>2020</u>	<u>2019</u>
Capitalized interest amount	\$ 137	\$ 118
Capitalized interest rate	1.280413%~	1.469925%~
	1.472526%	1.521523%

(e) Depreciation and Amortization

	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 612,198	\$ 592,257
Right-of-use assets	180	60
Amortization expense (Including the amortization for other intangible assets and prepayments)	<u>56,558</u>	<u>75,435</u>
Total	<u>\$ 668,936</u>	<u>\$ 667,752</u>

	<u>2020</u>	<u>2019</u>
Depreciation expenses summarized by function		
Costs of Revenue	\$ 588,935	\$ 570,725
Operating expenses	16,447	14,109
Non-operating expenses	<u>6,996</u>	<u>7,483</u>
	<u>\$ 612,378</u>	<u>\$ 592,317</u>

Amortization expenses summarized by the function		
Costs of Revenue	\$ 54,007	\$ 74,638
Operating expenses	2,488	797
Non-operating expenses	<u>63</u>	<u>-</u>
	<u>\$ 56,558</u>	<u>\$ 75,435</u>

(f) Employee benefits expenses

	<u>2020</u>		
	<u>Costs of Revenue</u>	<u>Operating Expenses</u>	<u>Total</u>
Salary and Wages	\$ 452,828	\$ 73,322	\$ 526,150
Labor and health insurance expenses	51,033	6,305	57,338
Pension expenses			
Defined contribution Plan	15,916	2,633	18,549
Defined benefit plan (Note 14)	<u>6,077</u>	<u>1,024</u>	<u>7,101</u>
	21,993	3,657	25,650
Compensation to directors	-	3,195	3,195
Other employee benefits	<u>40,713</u>	<u>4,361</u>	<u>45,074</u>
Total employee benefit expenses	<u>\$ 566,567</u>	<u>\$ 90,840</u>	<u>\$ 657,407</u>

	2019		
	Operating Costs	Operating Expenses	Total
Salary and Wages	\$ 516,760	\$ 76,030	\$ 592,790
Labor and health insurance expenses	56,188	6,098	62,286
Pension fund expenses			
Defined contribution plan	16,804	2,504	19,308
Defined benefit plan (Note 14)	7,906	1,328	9,234
	24,710	3,832	28,542
Compensation to directors	-	5,062	5,062
Other employee benefits	50,580	6,209	56,789
Total employee benefit expenses	<u>\$ 648,238</u>	<u>\$ 97,231</u>	<u>\$ 745,469</u>

(g) Profit sharing bonus to employees and Compensation to directors

According to the Company's Articles of Incorporation, the Company accrued profit sharing bonus to employees and compensation to directors based on net income before income tax of current year and shall appropriate profit sharing bonus to employees and compensation to directors of the Company no less than 2% and no more than 5% of annual profits before tax during the period, respectively.

The Company's profit sharing bonus to employees and compensation to directors for 2019 had been approved by the Board of Directors on March 27, 2020, as illustrated below:

Estimated ratio

	2019
Profit sharing bonus to employees	2%
	2%

Amount

	2019
	Cash
Profit sharing bonus to employees	\$ 2,002
Compensation to directors	2,002

As the Company had accumulated losses from January 1, 2020 to December 31, 2020, it did not estimate the profit sharing bonus to employees and compensation to directors.

If there is a change in the proposed amounts after the annual individual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the approved amounts of profit sharing bonus to employees and compensation to directors of 2019 and 2018 and the amounts recognized

in individual financial statements of 2019 and 2018, respectively.

The information about the appropriations of the Company's profit sharing bonus to employees and compensation to directors approved by the Board of Directors is available at the Market Observation Post System website of Taiwan Stock Exchange.

## 17. INCOME TAX OF CONTINUING OPERATION

(a) Income tax expense (benefits) recognized in profit or loss consisted of the following:

	<u>2020</u>	<u>2019</u>
Current income tax		
Current tax expense recognized in the current year	( \$ 1,168 )	\$ 47,402
Additional income tax on unappropriated earnings	-	10
Income tax adjustments on prior years	( 4,060 )	( 2,476 )
Land value increment tax	<u>-</u>	<u>960</u>
	( <u>5,228</u> )	<u>45,896</u>
Deferred income tax		
Expense recognized in the current year	( <u>46,521</u> )	( <u>2,380</u> )
Income tax expense recognized in profit or loss	( <u>\$ 51,749</u> )	<u>\$ 43,516</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	<u>2020</u>	<u>2019</u>
Income tax expense at the statutory rate for income before tax	( \$ 81,839 )	\$ 19,220
Tax effect of adjusting items		
Investment losses accounted for using equity method	33,040	38,150
Gains on valuation of financial asset	( 114 )	( 1,280 )
Tax-exempt income	( 309 )	( 5,439 )
Realized investment losses	-	( 5,770 )
Others	1,533	141
Additional income tax on unappropriated earnings	-	10
Adjustments to income tax expense recognized in the prior year	( 4,060 )	( 2,476 )
Land Value Increment Tax	<u>-</u>	<u>960</u>
Current income tax (benefits) expense	( <u>\$ 51,749</u> )	<u>\$ 43,516</u>



## 18. BASIC AND DILUTED EARNINGS PER SHARE (OPERATING LOSSES)

Earnings per share (EPS) are computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In thousands)	Earnings (Losses) Per Share (NT\$)	
	Before Tax	After Tax		Before Tax	After Tax
<u>Year Ended December 31, 2020</u>					
Basic EPS					
Current losses attributable to common shareholders, net	(\$ 409,193)	(\$ 357,444)	951,565	(\$ 0.43)	(\$ 0.38)
<u>Year Ended December 31, 2019</u>					
Basic EPS					
Current profits (losses) attributable to common shareholders	\$ 96,104	\$ 52,588	951,565	\$ 0.10	\$ 0.06
Dilutive effect of potential ordinary Share					
Profit sharing bonus to employees	-	-	456		
Diluted EPS					
Current profits (losses) attributable to common shareholders plus dilutive effect of potential ordinary share	\$ 96,104	\$ 52,588	952,021	\$ 0.10	\$ 0.06

If the Company may settle the profit sharing bonus to employees by the way of stock or cash, then in order to calculate the diluted earnings per share (EPS), the Company should presume that the profit sharing bonus to employees will be settled in the form of stocks and add the potential ordinary share dilution should be included in the weighted average number used in the calculation of diluted EPS if the shares have a dilutive effect. Before settling the number of share issued for profit sharing bonus to employees in next year, the dilutive effect of potential ordinary share will be continually considered when calculating the diluted EPS.

## 19. DISPOSAL OF SUBSIDIARIES

On July 2020, the Company signed an agreement to dispose LIBOLON ENERGY Company Limited, which is mainly engaged in the trading business of renewable-energy-based self-usage power generation equipment. The Company completed the disposal on July 1, 2020, and lost control of the subsidiary. For relevant illustration, please refer to Note 20 of 2020 Annual Consolidated Financial Statements.

## 20. CAPITAL RISK MANAGEMENT

Under the premise that the companies in the group are ensured to be operated continually, the Company manages its capital through optimizing the balance of the liabilities and equity for maximizing the shareholders' return on equity. The Company's overall strategy has not changed.

The Company does not have to comply with other external capital regulations

## 21. FINANCIAL INSTRUMENTS

(a) Information on fair value and categories of financial instruments

(1) Fair value information – financial instruments not measured by fair value

The management of the Company believes that the carrying amounts of financial

assets and financial liabilities not measured at fair value are close to their fair values or their fair values cannot be measured reliably.

(2) Fair value information — financial instruments measured at fair value on a repeatability basis

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	\$ 67,305	\$ -	\$ 1,347	\$ 68,652
Financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ -	\$ -

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	\$ 66,735	\$ -	\$ 1,347	\$ 68,082
Financial liabilities at fair value through profit or loss	\$ -	\$ 30,298	\$ -	\$ 30,298

No transfer has occurred between level 1 and level 2 of the fair value hierarchy in 2020 and 2019.

(3) The valuation techniques and the inputs used in Level 2 fair value measurement

<u>Categories of Financial Instruments</u>	<u>Valuation Techniques and the Inputs</u>
Derivatives — Foreign Exchange Contract	Discounted cash flow (DCF) method: Estimate the future cash flow based on the observable exchange rate and the exchange rate set in the contract at the end of the period, and discount them separately at a discount rate that can reflect the credit risk of each counterparty.

(4) The valuation techniques and the inputs used in Level 3 fair value measurement

Unlisted and Non-OTC equity investments have adopted the asset-based valuation approach and to report the overall value of the investment target in accordance with the total value of individual assets and individual liabilities.

(5) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
At fair value through profit or loss at fair value through profit or loss, mandatorily measured at fair value	\$ 68,652	\$ 68,082
Carried at amortized cost	2,695,924	2,785,592
<u>Financial liabilities</u>		
At fair value through profit or loss Held for trading	-	30,298
Carried at amortized cost	4,580,117	4,482,036

(6) The net profit from the operation of financial derivatives in 2020 is NT\$30,092



thousand, which is respectively NT\$0 thousand for unsettled losses and NT\$30,092 thousand for settled gains, which are accounted for as non-operating income and expenses.

(7) The net profit from the operation of financial derivatives in 2019 is NT\$34,915 thousand, which is respectively NT\$30,298 thousand for unsettled losses and NT\$65,213 thousand for settled gains, which are accounted for as non-operating income and expenses.

(8) Financial risk management objectives and policy

The principal financial instruments applied by the Company include equity and liability investments, bank loans, account receivable, account payable, etc. The finance management department of the Company provides services to business units and coordinates operations in the domestic and overseas financial markets by supervising internal risk exposure reports and managing financial risks related to the operations of the Company in accordance with the risk level and breadth analyses. Such risks are consist of market risks that includes exchange rate risk, interest rate risk and other price risk, credit risks, and liquidity risks.

The Company applies derivative financial instruments to hedge risks for mitigating risk impacts. The derivative financial instruments applied is regulated by the policies approved by the Board of Directors of the Company, which are written principles for exchange rate risk, interest rate risk, credit risk, the utilization of derivative and non-derivative financial instruments, and the investment of remaining circulating capital. Internal auditors continue to review compliance with policies and the risk exposure limit. The Company did not trade financial instruments (including derivative financial instruments) for speculative purposes.

(8.1) Market risks

The principal financial risks that the Company bears for operating activities are foreign currency fluctuation risk and interest rate fluctuation risk.

The Company engages in various derivative financial instruments to manage foreign currency exchange rate risks, including the utilization of forward exchange contract to hedge currency exchange rate risks associated with exports.

The Company's exposures to financial instrument market risks and its management and measurement methods have not changed

#### Sensitivity Analysis

The Company conducts risk measurement for the position of the foreign currency financial assets and liabilities that has significant impacts to the Company after considering the net position of the unexpired cross currency swap contracts foreign exchange swap contracts.

The Company is mainly affected by fluctuations in the exchange rate of the U.S. dollar.

The sensitivity analysis only included circulating monetary items denominated in foreign currencies and adjusted the translation at the end of year to a 1% change in exchange rate. In the table below, a positive number represented an increase in income before income tax when New Taiwan dollar (functional currency) depreciated by 1%. The impact on income before income tax would be of the same amount in negative when New Taiwan dollar (functional currency) appreciated by 1%.

December 31, 2020

	Foreign Currency	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$) (In Thousands)	Sensitivity Analysis	
					Variation	Profit and Loss Impact
<u>Financial Assets</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	\$ 37,769,195	\$ 37,769	28.48	\$ 1,075,667	1%	\$ 10,757
<u>Non-monetary items</u>						
<u>Non-derivatives</u>						
US Dollar to New Taiwan Dollar	96,149	96	28.48	2,738	1%	27
<u>Financial Liability</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	3,530,063	3,530	28.48	100,536	1%	( 1,005)

December 31, 2019

	Foreign Currency	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (NT\$) (In Thousands)	Sensitivity Analysis	
					Variation	Profit and Loss Impact
<u>Financial Assets</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	\$ 45,137,585	\$ 45,138	29.98	\$ 1,353,225	1%	\$ 13,532
<u>Non-monetary items</u>						
<u>Non-derivatives</u>						
US Dollar to New Taiwan Dollar	96,149	96	29.98	2,883	1%	29
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
US Dollar to New Taiwan Dollar	2,282,717	2,283	29.98	68,436	1%	( 684)
<u>Non-monetary items</u>						
<u>Derivatives</u>						
US Dollar to New Taiwan Dollar	140,000,000	140,000	29.98	30,298	1%	( 303)

(8.2) Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company always requires the provision of collateral or other guarantee rights from major transaction partners. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

(8.3) Liquidity risks

The Company supports its business operations and reduces the impact of cash

flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. The management of the Company has supervised bank financing conditions and ensured compliance with loan contracts.

Financing and loans from banks are regarded as an important source for maintaining liquidity for the Company. As of December 31, 2020 and 2019, the unspent quota of short-term bank financing, including opening quota for letter of credit (L/C) of the Company was NT\$4,644,106 thousand and NT\$4,652,873 thousand, respectively.

### (8.3.1) Maturity analysis of non-derivative financial liabilities

The maturity analysis of remaining contracts of non-derivative financial liabilities is based on the earliest possible date on which the Company may be required to make repayments and the undiscounted cash flows of financial liabilities (including principal and estimated future interest). Therefore, the Company may be requested to immediately return bank loans in the earliest period specified in the table below without considering the probability of bank's immediate execution of such rights. Maturity analysis of other non-derivative financial liabilities shall be prepared in accordance with the agreed repayment date. The analysis is as follows:

#### December 31, 2020

Non-derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
Short-term loans	\$ 1,750,000	\$ -	\$ -	\$ -
Short-term bills payable	770,000	-	-	-
Notes payable (including related parties)	8,526	-	-	-
Accounts payable (including related parties)	464,811	-	-	-
Other payables (including related parties)	261,113	-	-	-
Advance loans to related parties	331,000	-	-	-
Long-term loans (including due within one year or one operating cycle)	474,667	520,000	-	-
Guarantee deposits	1,657	-	-	-
Lease liabilities	115	183	366	-
	<u>\$ 4,061,889</u>	<u>\$ 520,183</u>	<u>\$ 366</u>	<u>\$ -</u>

#### December 31, 2019

Non-derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
Short-term loans	\$ 1,920,000	\$ -	\$ -	\$ -
Short-term bills payable	110,000	-	-	-
Notes payable (including related parties)	8,611	-	-	-
Accounts payable (including related parties)	415,439	-	-	-
Other payables (including related parties)	299,652	-	-	-
Advance loans payable to related parties	259,000	-	-	-
Long-term loans (including due within one year or one operating cycle)	474,667	847,667	147,000	-
Guarantee deposits	1,748	-	-	-
Lease liabilities	246	246	738	-
	<u>\$ 3,489,363</u>	<u>\$ 847,913</u>	<u>\$ 147,738</u>	<u>\$ -</u>

### (8.3.2) Liquidity of derivative financial liabilities

For liquidity analysis of derivative financial instruments, net settled

derivatives are prepared in accordance with inflows and outflows of net cash of undiscounted contract and gross settled derivatives are prepared in accordance with inflows and outflows of total cash of undiscounted contract.

December 31, 2020

Derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
<u>Net settlement</u>				
Foreign exchange swap	\$ -	\$ -	\$ -	\$ -

December 31, 2019

Derivative financial liabilities	Within 1 year	Within 1 to 2 years	Within 2 to 5 years	More Than 5 Years
<u>Net settlement</u>				
Foreign exchange swap	\$ 30,298	\$ -	\$ -	\$ -

**22. RELATED PARTY TRANSACTIONS**

Intercompany transactions, account balances, income and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore, those items are not disclosed in this note. Except the items disclosed in the note, the following is a summary of transactions between the Company and other related parties:

(a) Name and relationship of related parties

Related Party Name	Relationship with the Company
LI HAO Investment Co., Ltd.	Subsidiary
LI ZAN Investment Co., Ltd.	Subsidiary
LIBOLON Enterprise Co., Ltd.	Subsidiary
LEA JIE Energy Co., Ltd.	Subsidiary
Pt. Indonesia LIBOLON Fiber System	Subsidiary
VIRTUE ELITE Ltd.	Second-tier Subsidiary
LI PENG Enterprise Co., Ltd.	Associate
LEALEA Technology Co., Ltd.	Associate
Rich Development Co., Ltd.	Associate
FU LI Express Co., Ltd.	Associate
LI MAO Investment Co., Ltd.	Associate
LI XING Investment Co., Ltd.	Associate
HONG XING Investment Co., Ltd.	Associate
LI LING Film Co., Ltd.	Associate
DONG TING Investment Co., Ltd.	Substantive related party
LIBOLON (Shanghai) International Trading Co., Ltd	Substantive related party
LIBOLON International Corp.	Substantive related party
LIBOLON Energy Co., Ltd.	Substantive related party (A subsidiary before June 30, 2020)
ETON Petrochemical Co., Ltd.	Substantive related party

(b) Net revenue

<u>Related Party Category/Name</u>	<u>2020</u>	<u>2019</u>
Subsidiary	\$ 198,757	\$ 272,185
Associates	602,604	790,113
Other related parties	188,851	302,078
	<u>\$ 990,212</u>	<u>\$ 1,364,376</u>

The Company's sales to associates and other related parties were not significantly different from the general transactions.

(c) Purchases

<u>Related Party Category/Name</u>	<u>2020</u>	<u>2019</u>
Associates		
LI PENG Enterprise Co., Ltd.	\$ 565,073	\$ 521,560
Others	4,506	1,308
	<u>\$ 569,579</u>	<u>\$ 522,868</u>

The Company's purchases from associates and other related parties were not significantly different from the general transactions.

(d) Receivables from related parties (excluding loans to related parties)

<u>Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiary		
	Pt. Indonesia	\$ 67,827	\$ 78,953
	LIBOLON		
	Fiber System		
	Others	1	1
	Associates		
	LI PENG Enterprise Co., Ltd.	63,483	53,184
Others	2,358	1,187	
Other related parties	64,958	36,972	
	<u>\$ 198,627</u>	<u>\$ 170,297</u>	
Notes receivable	Associates		
	LI PENG Enterprise Co., Ltd.	<u>\$ 12,833</u>	<u>\$ 25,408</u>

No deposit has been collected for the circulating accounts receivables from related parties. Accounts receivables from related parties in 2020 and 2019 do not include bad debt expenses.

(e) Payables to related parties (excluding borrowings from related parties)

Item	Related Party Category/Name	December 31, 2020	December 31, 2019
Accounts payable	Associates		
	LI PENG Enterprise Co., Ltd.	\$ 88,388	\$ 25,206
	Others	<u>754</u>	<u>38</u>
		<u>\$ 89,142</u>	<u>\$ 25,244</u>
Notes payable	Associates	<u>\$ 730</u>	<u>\$ 79</u>

No guarantee is provided for the balance of circulating payables to related parties.

(f) Acquisition of property, plant and equipment

Related Party Category/Name	Proceeds from Acquisition	
	2020	2019
Associates		
Other Equipment	\$ 4,555	\$ 647
Machinery Equipment	<u>80</u>	<u>642</u>
	<u>\$ 4,635</u>	<u>\$ 1,289</u>

(g) Acquisition of other assets

Related Party Category/Name	Proceeds from Acquisition	
	2020	2019
Associates		
Computer software	<u>\$ 1,443</u>	<u>\$ 186</u>

(h) Disposal of property, plant, and equipment

Item	Related Party Category/Name	Proceeds from Disposal		Disposal (Loss) Profits	
		2020	2019	2020	2019
Transportation Equipment	Associates	\$ 300	\$ -	\$ -	\$ -
Other Equipment	Associates	2	-	2	-
Machinery Equipment	Associates	<u>138</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 440</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>

(i) Advance loans to related parties

December 31, 2020					
Subsidiary	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
VIRTUE ELITE Ltd. Pt. Indonesia LIBOLON Fiber System	\$ 89,817	\$ -	1.29004~1.66084	\$ 242	\$ -
	<u>952,383</u>	<u>583,840</u>	1.45296~4.0485	<u>13,087</u>	<u>730</u>
	<u>\$ 1,042,200</u>	<u>\$ 583,840</u>		<u>\$ 13,329</u>	<u>\$ 730</u>
December 31, 2019					
Subsidiary	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
LIBOLON Enterprise Co., Ltd.	\$ 77,000	\$ -	3	\$ 657	\$ 64
VIRTUE ELITE Ltd. Pt. Indonesia LIBOLON Fiber System	140,635	-	1.66084	823	-
	<u>711,309</u>	<u>607,095</u>	3.0681~3.3899	<u>17,719</u>	<u>1,654</u>
	<u>\$ 928,944</u>	<u>\$ 607,095</u>		<u>\$ 19,199</u>	<u>\$ 1,718</u>

The Company provides short-term loans to associates and other related parties. The interest rate range is similar to the market interest rate.

(j) Advance loans payable to related parties

December 31, 2020					
Subsidiaries	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
LI ZAN Investment Co., Ltd.	\$ 42,000	\$ 42,000	0.76715~0.90479	\$ 198	\$ 28
LI HAO Investment Co., Ltd.	71,000	71,000	0.76715~0.90479	488	47
Associates					
LI MAO Investment Co., Ltd.	93,000	73,000	0.8204~0.91554	543	60
LI XING Investment Co., Ltd.	75,000	75,000	0.8204~0.91554	341	52
HONG XING Investment Co., Ltd.	70,000	70,000	0.8204~0.91554	411	49
	<u>\$ 351,000</u>	<u>\$ 331,000</u>		<u>\$ 1,981</u>	<u>\$ 236</u>

December 31, 2019

	Maximum Balance	Ending Balance	Interest Rate Range (%)	Interest Income	Interests of Accounts Receivable Financing at the end of the period
Subsidiaries					
LI ZAN Investment Co., Ltd.	\$ 24,000	\$ 24,000	0.89598~0.97842	\$ 174	\$ 19
LI HAO Investment Co., Ltd.	75,000	71,000	0.89598~0.97842	662	56
Associates					
LI MAO Investment Co., Ltd.	80,000	76,000	0.89919~0.98599	688	62
LI XING Investment Co., Ltd.	64,000	33,000	0.89919~0.98599	368	27
HONG XING Investment Co., Ltd.	<u>60,000</u>	<u>55,000</u>	0.89919~0.98599	<u>461</u>	<u>45</u>
	<u>\$ 303,000</u>	<u>\$ 259,000</u>		<u>\$ 2,353</u>	<u>\$ 209</u>

The interest rate for the Company's borrowings from associates and other related parties is equivalent to the market interest rate. Loans to associates and other related parties are unsecured loans.

(k) Others

Rental Income	2020	2019
Subsidiaries	\$ 3,988	\$ 3,988
Associates		
LI PENG Enterprise Co., Ltd.	28,012	28,012
LI LING Film Co., Ltd.	5,337	5,337
Others	5,288	5,288
Other related parties	13	10
	<u>\$ 42,638</u>	<u>\$ 42,635</u>

The rental income collected by the Company from associates and other related parties is in accordance with local market quotations, and the payment term is a one-month commercial promissory note.

Rent Expense	2020	2019
Associates		
LI PENG Enterprise Co., Ltd.	\$ 6,694	\$ 6,726
Rich Development Co., Ltd.	2,891	2,690
	<u>\$ 9,585</u>	<u>\$ 9,416</u>

The Company pays rents to associates in accordance with local market quotations, and the payment term is a one-month commercial promissory note.

Shipping Expense	2020	2019
Associates	<u>\$ 18,706</u>	<u>\$ 19,544</u>
Information Service Fee		
Associates		
LEALEA Technology Co., Ltd.	<u>\$ 18,571</u>	<u>\$ 19,068</u>



Other Income	2020	2019
Subsidiary	\$ 27	\$ 14
Associates	2,268	1,459
Other related parties	57	175
	<u>\$ 2,352</u>	<u>\$ 1,648</u>

Fuel Costs – Coal	2020	2019
Subsidiary		
LEA JIE Energy Co., Ltd.	<u>\$ 143,650</u>	<u>\$ 176,340</u>

Service Fee – Coal Processing Fee	2020	2019
Subsidiary		
LEA JIE Energy Co., Ltd.	<u>\$ 1,371</u>	<u>\$ 1,371</u>

Consumables – Public Fluid	2020	2019
Associates		
LI PENG Enterprise Co., Ltd.	<u>\$ 4,847</u>	<u>\$ 5,811</u>

(l) Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	2020	2019
Short-term employee benefits	\$ 18,242	\$ 17,905
Post-employment benefits	284	170
	<u>\$ 18,526</u>	<u>\$ 18,075</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

(m) Transactions with other related parties

Related Party Category/Name	Item	Amount of Signed and Unfinished Contracts (Untaxed) December 31, 2020	Balance of Prepayments for Equipment December 31, 2020
Associates			
LEALEA Technology Co., Ltd.	Software	<u>\$ 1,028</u>	<u>\$ -</u>
Related Party Category/Name	Item	Amount of Signed and Unfinished Contracts (Untaxed) December 31, 2019	Balance of Prepayments for Equipment December 31, 2019
Associates			
LEALEA Technology Co., Ltd.	Software	<u>\$ 4,091</u>	<u>\$ -</u>

(n) Equity transactions

	Transaction Date	Object	Number of Shares	Amount
Associates	July 2020	LIBOLON Energy Co., Ltd.	55,000	<u>\$ 550</u>

**23. PLEDGED ASSETS**

Assets provided by the Company as collaterals to financial institutions were as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment (Note 11)	<u>\$ 2,629,702</u>	<u>\$ 2,793,273</u>

**24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS**

Significant contingent liabilities and unrecognized commitments of the Company as of balance sheet date, excluding those disclosed in other notes, were as follows:

As of December 31, 2020 and December 31, 2019, the Company still has amounts available under issued but unused letters of credit, illustrated as follows:

	Unit: Foreign Currencies (In Thousands)	
	December 31, 2020	December 31, 2019
USD	\$ 289	\$ 296
EURO	119	-
Japanese Yen	712,400	714,000

**25. OTHER MATTERS**

Due to the impact of global pandemic of the novel coronavirus pneumonia, the operating income of the Company has fallen sharply since April 2020. However, as countries gradually loosen restrictions of economic activities to stimulate the economy, the Company expects that operations will gradually return to normal. In response to the impact of the epidemic, the Company has taken the following actions:

(a) Operation strategy adjustments

In terms of operating strategy, the Company has minimized the inventory backlog of textile and automotive textiles during the period of the novel coronavirus, and continued to develop such kind of textile products in line with the requirements of electronic brands for carbon reduction, green energy and circular economy for holding the business opportunities of stay-at-home economy.

(b) Fund-raising strategy

No major fund-raising plans were implemented by the Company for the impact of the

novel coronavirus.

(c) Government relief measures

The Company has applied for relief subsidies from the government, illustrated as follows:

- (1) A total of NT\$54,207 thousand in salary and working capital subsidies were received and accounted for as other income.
- (2) A total of NT\$63,679 thousand was obtained for a 30% exemption of water and electricity charges from January 1 to December 31, 2020.
- (3) According to the "Relief Plan for Industrial Zones during the Epidemic Prevention for Severe Special Infectious Pneumonia Period", it is possible to apply for a 20% reduction in rent and have general public facility maintenance fees to be levied by half. The implementation period of the plan is from January 15, 2020 to June 30, 2021.

The Company has incorporated the economic effects caused by the epidemic into major accounting estimates based on the information available on the balance sheet date and there are no significant effects on the Company.

**26. EXCHANGE RATE INFORMATION OF SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES**

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign Currencies/New Taiwan Dollars In Thousands

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<b>Foreign Currency Assets</b>						
<u>Monetary items</u>						
USD	\$ 37,769,195	28.48 (USD: NTD)	\$ 1,075,667	\$ 45,137,585	29.98 (USD: NTD)	\$ 1,353,225
RMB	208,216,622	4.377 (RMB: NTD)	911,364	206,819,456	4.305 (RMB: NTD)	890,358
<u>Non-Monetary items</u>						
Financial assets measured at fair value through profit and loss –						
Noncurrent						
USD	96,149	28.48 (USD: NTD)	2,738	96,149	29.98 (USD: NTD)	2,883
Investment using the equity method						
IDR	542,715,622,180	0.0020191 (IDR: NTD)	\$ 1,095,797	304,044,164,189	0.0021567 (IDR: NTD)	\$ 655,732
<b>Foreign Currency Liabilities</b>						
<u>Monetary items</u>						
USD	3,530,063	28.48 (USD: NTD)	100,536	2,282,717	29.98 (USD: NTD)	68,436
<u>Non-Monetary items</u>						
Derivatives						
USD	-	28.48 (USD: NTD)	-	140,000,000	29.98 (USD: NTD)	30,298

The unrealized significant foreign currency exchange profits and losses are as follows:

Foreign Currencies	2020		2019	
	Exchange Rate	Net exchange profit (loss)	Exchange Rate	Net exchange profit (loss)
USD	28.48	(\$ 57,921)	29.98	(\$ 30,755)
RMB	4.377	10,999	4.305	( 2,147)

## 27. ADDITIONAL DISCLOSURES

(a) Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

(1) Financings provided: See Table 1 attached;

(2) Endorsement/guarantee provided: None;

(3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 2 attached;

(4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 3 attached;

(5) Acquisition of individual real estate properties at costs of at least NT\$300 million or

20% of the paid-in capital: None;

- (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: See Table 4 attached;
- (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 5 attached;
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- (9) Information about the derivative financial instruments transaction: See Notes 7 and 21;
- (10) Information of investees over which the Company exercises significant influence: See Table 6 attached;

(c) Information on investment in mainland China

- (1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: None
- (2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None
  - (2.1) Purchase amount and percentage, and the ending balance and percentage of payables.
  - (2.2) Sales amount and percentage, and the ending balance and percentage of receivables.
  - (2.3) Property transaction amount and the resulting profits or losses
  - (2.4) Ending balance and purposes of endorsement, guarantee or collateral provided
  - (2.5) The maximum balance, ending balance, interest rate range and total amount of current interest of financing.
  - (2.6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

(b) Information of major shareholder

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 7 attached.

## **28. OPERATING SEGMENTS INFORMATION**

The Company has disclosed operating segments information in the consolidated financial statements, so the relevant information won't be disclosed in individual financial statements again.

**LEALEA ENTERPRISE CORPORATION Limited**

**TABLE 1**

**FINANCINGS PROVIDED**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 8)	Amount Actually Drawn	Interest Rate Range (%)	Nature for Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 7)	Financing Company's Total Financing Amount Limits (Notes 7)	Note
													Item	Value			
0	LEALEA Enterprise Co., Ltd.	LIBOLON Enterprise Co., Ltd.	Receivable repayment of advance loans to related parties	Yes	\$ 50,000	\$ -	\$ -	3%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,025,792	\$ 4,103,168	
0	LEALEA Enterprise Co., Ltd.	VIRTUE ELITE Ltd.	Receivable repayment of advance loans to related parties	Yes	500,000	-	-	1.29004%~1.66084%	2	-	Operating capital	-	-	-	1,025,792	4,103,168	
0	LEALEA Enterprise Co., Ltd	Pt. Indonesia LIBOLON Fiber System	Receivable repayment of advance loans to related parties	Yes	1,000,000	900,000	583,840	1.45296%~4.0485%	2	-	Operating capital	-	-	-	1,025,792	4,103,168	

**Note 1:** The description of number column is as follows:

(1) The issuer is coded "0".

(2) The investee company is numbered sequentially from Arabic numeral 1 according to the company type.

**Note 2:** The accounts receivable from associates, accounts receivable from related parties, shareholder transactions, prepayments, temporary payments, etc. that are classified as nature for financing must be filled in this field.

**Note 3:** "Maximum balance for the period" refers to the highest balance of lending amount to others in the current year.

**Note 4:** "Nature for financing" should be listed as (1) companies or firms having business relationship with the Company, or (2) ones requiring short-term financing.

**Note 5:** As the nature of financing is companies or firms having business relationship with the Company, the business transaction amount should be filled in. The transaction amount refers to the previous year's transaction amount between the lending company and the lender.

**Note 6:** As the nature of financing is companies or firms requiring short-term financing, the reasons of financing and the usage of funds, such as repayment of loans, purchase of equipment, working capital turnover, etc., should be specified.

**Note 7:** The fields should be filled in accordance with the procedures for lending funds to other parties of the Company that specifies the financing limits for each borrowing Company as 10% of the shareholders' equity of LEALEA Enterprise Co., Ltd. and the financing company's total financing amount limits as 40% of the shareholders' equity of LEALEA Enterprise Co., Ltd.

**Note 8:** Should a public company comply with the Article 14-1 of "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies" to submit financing reports to the Board of Directors for approval one by one, even though the financing funds have not yet been allocated, the financing amount approved by the Board of Directors should still be included in the balance announcement for exposing risks. When the funds are subsequently repaid, the balance after repayment shall be disclosed to reflect the adjustment of risk. In accordance with the Article 14-2 of the Regulations, a public company may authorize the chairman of the Board of Directors to approve a financing funds in a certain amount and allocated it in installments or revolving within a one-year period, but the financing funds approved by the Board of Directors should still be used as the declared balance. Although the funds will be repaid thereafter, in consideration that the loan may be allocated again, the financing funds approved by the Board of Directors should be used as the announced balance.

**LEALEA ENTERPRISE CORPORATION Limited**

**TABLE 2**

**MARKETABLE SECURITIES HELD**

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	December 31, 2020				Note (Note 4)
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
LEALEA Enterprise Co., Ltd.	Publicly traded stocks							
	Trade-Van Information Service Corp.	None	Financial assets at fair value through profits and losses – Current	427,675	\$ 21,598	0.29	\$ 21,598	
	China Development Financial Holding Corp.	"	"	1,217,782	11,325	0.01	11,325	
	Asia Pacific Telecom Co., Ltd.	"	"	3,277,157	33,099	0.09	33,099	
	Information Technology Total Services Co., Ltd.	"	"	33,750	1,283	0.12	1,283	
	Stocks							
	The Techgains Pan-Pacific Corp.	None	Financial assets at fair value through profits and losses – Noncurrent	150,000	373	0.26	-	
	Progate Group Corp.	"	"	114,508	974	0.34	-	
	Book4U Co., Ltd.	"	"	6,250	-	0.12	-	

**Note 1:** The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from such items, that are within the scope of IFRS 9 "Financial Instruments".

**Note 2:** The securities issuer who is not classified as related party does not need to fill in the column.

**Note 3:** If measured by fair value, please fill in the "carrying value" column with the carrying balance that has adjusted the value in accordance with fair value evaluation and deducted allowance losses; if it is not measured by fair value, please fill in the "carrying value" column with the original acquisition cost or the carrying balance of the amortized cost after deducting the accumulated impairment.

**Note 4:** If the listed securities are restricted due to the provision of guarantees, pledged loans, or other agreed-upon, the note column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and restrictions on use.

**Note 5:** For information about the equity investments in subsidiaries, associates, and joint ventures, please refer to attached "Table 6".

**LEALEA ENTERPRISE CORPORATION Limited**

**TABLE 3**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counterparty (Note 2)	Nature of Relationships (Note 2)	Beginning Balance (Note 5)		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance (Note 5)	
					Shares	Amount	Amount	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount
LEALEA Enterprise Co., Ltd.	Pt. Indonesia LIBOLON Fiber System	Investments using equity method	Issuance of common stock for cash	Subsidiary	9,170,000	\$ 636,487	4,200,000	\$ 624,540	-	\$ -	\$ -	\$ -	13,370,000	\$ 1,085,855

**Note 1:** The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from such items.

**Note 2:** The two fields are required for securities investments accounted for using equity method but exempted for others.

**Note 3:** The accumulated purchase and sale amount should be calculated separately at market price whether it reaches NT\$300 million or 20% of the paid-in capital or not.

**Note 4:** The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's stock has no denomination or the denomination per share is not NT\$10, the transaction amount of 20% of the

paid-in capital shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

**Note 5:** The amount at the beginning and end of the period includes the profit and loss recognized by the equity method and related adjustment items.



**LEALEA ENTERPRISE CORPORATION Limited**

**TABLE 4**

**DISPOSAL OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Types of Property	Transaction Date	First Acquisition Date	Carrying Amount	Transaction Amount	Payment Term	Gain/Loss on Disposal	Counter-party	Nature of Relationships	Purpose of Disposal	Price Reference	Other
LEALEA Enterprise Co., Ltd.	Lands and Buildings	August 10, 2020	March 8, 1994	\$ 54,255	\$ 414,528	Down Payment \$ 124,358	As of December 31, the transaction has not been completed and the disposition gains and losses have not been recognized.	REMONDIS Circular Technology Co., Ltd.	Non-related Parties	Assets Activation	Market quotations and appraisal information and estimated amount from professional appraisal organizations \$ 421,578	

**Note 1:** If the disposition of assets should be appraised in accordance with regulations, the result of appraisal should be indicated in the "price reference" column.

**Note 2:** The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's stock has no denomination or the denomination per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

**Note 3:** The "transaction date" refers to the date when the contract is signed, the payment date, the entrusted transaction date, the transfer date, the resolution date of the Board, or the date when the transaction related parties and transaction amount are fully determined, whichever is the former.

**LEALEA ENTERPRISE CORPORATION Limited**

**TABLE 5**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable		Note (Note 2)
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
LEALEA Enterprise Co., Ltd.	LI PENG Enterprise Co., Ltd.	The investee of the Company accounted for under the equity method	Sales	(\$ 578,787)	( 8 )	1 month commercial promissory note	N/A	N/A	Notes and Accounts Receivables \$ 76,316	11	
"	"	"	Purchase	565,073	13	"	"	"	Notes and Accounts Payables ( 88,388 )	( 19 )	
"	Pt. Indonesia LIBOLON Fiber System	Subsidiary	Sales	( 198,747 )	( 3 )	T/T 90 days after shipment	"	"	Notes and Accounts Receivables 67,827	10	
"	LIBOLON International Corp.	Substantive related party	Sales	( 119,941 )	( 2 )	"	"	"	Notes and Accounts Receivables 24,088	4	

**Note 1:** If the related party's trade terms are different from the general trade terms, the differences and reasons of abnormal transaction should be described in the "unit price" and "payment terms" columns.

**Note 2:** If there is prepayment, the reason, contractual terms, amount, and differences with general transaction should be stated in the note column.

**Note 3:** The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's shares have no denomination or the denomination per share is not NT\$10, the transaction amount requirement of 20% of the paid-in capital shall be calculated based on the 10% equity attributable to the owner of the parent company on the balance sheet.

**LEALEA ENTERPRISE CORPORATION Limited**
**TABLE 6**
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**
**FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company (Note 1, 2)	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee (Note 4-2)	Share of Profits/Losses of Investee (Note 4-3)	Note	
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value				
LEALEA Enterprise Co., Ltd.	LI HAO Investment Co., Ltd.	11F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Investments of various production businesses, securities investment companies, banks, etc.	\$ 416,616	\$ 416,616	40,356,000	53.38	\$ 475,770	(\$ 10,402)	(\$ 5,553)		
	LI ZAN Investment Co., Ltd.	"	"	359,877	359,877	24,460,000	53.17	267,327	( 44,406)	( 23,612)		
	LI XING Investment Co., Ltd.	"	"	376,000	376,000	37,600,000	47.00	403,623	( 6,427)	( 3,021)		
	HONG XING Investment Co., Ltd.	"	"	364,595	364,595	23,304,000	46.98	379,140	( 331)	( 131)		
	LI MAO Investment Co., Ltd.	"	"	363,629	363,629	35,244,000	46.62	502,464	( 292)	( 144)		
	LEALEA Technology Co., Ltd.	"	Information software and data processing services	74,031	74,031	11,031,102	29.05	181,500	129,367		37,585	
	LIBOLON Enterprise Co., Ltd.	6F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Sporting and recreation goods wholesaling and retailing business	50,000	50,000	5,000,000	100.00	10,329	( 5,502)	( 5,502)		
	FU LI Express Co., Ltd.	No. 122, Zili 2nd Street, Wuqi District, Taichung City, Taiwan (R.O.C.)	Container trucking carrier	35,000	35,000	3,500,000	25.00	45,446	11,637		2,909	
	LI PENG Enterprise Co., Ltd.	6F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Manufacturing of weaving, dyeing and finishing, processing of artificial fiber and woven fabrics	1,221,597	1,221,597	145,353,853	15.89	1,608,134	( 429,571)	( 68,279)		
	Rich Development Co., Ltd.	8F., No.99, Jilin Road, Taipei City, Taiwan (R.O.C.)	Appointment of construction enterprises for commercial building construction, rent and sales of public housing, etc.	470,606	470,606	51,839,894	6.97	891,582	103,976		7,027	
	LEA JIE Energy Co., Ltd.	4F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Coal wholesaling and retailing business	210,000	210,000	21,000,000	70.00	234,810	25,730		17,889	
	LI LING Film Co., Ltd.	11F., No. 162, Songjiang Rd., Taipei City 104, Taiwan	Manufacturing of nylon film	39,580	39,580	2,100,000	3.50	16,286	( 217,559)	( 7,615)		
	PT.INDONESIA LIBOLON FIBER SYSTEM	Lantai 1 JI. Cideng Barat No. 15, RT.011/RW.001 Kel. Duri Pulo. Kec. Gambir. DKZ Jakarta	Manufacturing and sales of weaving, dyeing and finishing, processing of artificial fiber fabrics	1,680,880	1,056,340	13,370,000	70.00	1,085,855	( 166,708)	( 116,696)		
	PT. LONG JOHN INNOVATION MATERIAL	JALAN UBRUG, Kel. Kembangkuning, Kec. Jatiluhur, Kab. Purwakarta, Prop. JawaBarat	Knitted fabrics and fabric improvement	-	15,200	-	-	-	-	Note 2	Note 2	
LIBOLON Enterprise Co., Ltd.	No.38, Gongye Road, Fanyuan Township, Changhua County, Taiwan (R.O.C.)	Trading business of renewable-energy-based self-usage power generation equipment	-	-	-	-	-	( 117)	( 64)			

**Note 1:** If a public company has a foreign holding company that uses consolidated statements as the main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose the relevant information of the holding company.

**Note 2:** LEALEA Enterprise Co., Ltd. disposed Pt. Long John Innovation Material on March 2020 and the investment losses of the disposal have been recognized.

**Note 3:** LEALEA Enterprise Co., Ltd. disposed LIBOLON Energy Co., Ltd. on July 2020 and the investment profits of the disposal have been recognized.

**Note 4:** If it is not in the situation described in Note 1, fill in according to the following regulations:

- (1) For "Investee Company", "Location", "Main Businesses and Products", "Original Investment Amount" and "Balance as of December 31, 2020" columns, the information should be filled out in order in accordance with the investment circumstances of the public company or the investment circumstances of each directly or indirectly controlled investee company. The relationship between each investee company and the public company should also be indicated in the note column, such as subsidiary or second-tier subsidiary.
- (2) The "Net Income (Losses) of the Investee" column should be filled in with the current profit and loss amount of each investee company.
- (3) The "Share of Profits/Losses of Investee" column should only be filled in the amount of profits and losses of the public Company's direct investment in subsidiaries and the amount of profit and loss of each investee company measured by using the equity method. The rest is not required. When filling in the "Share of Profits/Losses of Investee" column, we should confirm that the current profit and loss of each subsidiary already includes the investment profit and loss of its investees required to be recognized by laws.

**LEALEA ENTERPRISE CORPORATION Limited****TABLE 7****INFORMATION ON MAJOR SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
DONG TING Investment Co., Ltd.	76,336,784	7.97
LI PENG Enterprise Co., Ltd.	71,743,197	7.49

Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of the Company's ordinary and special stocks, including treasury stocks, completed the process of registration and book-entry delivery in dematerialized from on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company's consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee, who opened the trust account, in accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decisions on the trust property. Information on insider equity declaration is available on the Market Observation Post System website.

# Lealea Enterprise Co., Ltd.

Chairman Kuo, Shao-yi