



# Li Peng Enterprise Co., Ltd.

## 2020 Annual Report



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**3. Changhua Weaving Plant**

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Tel: (04) 895-2222(Representative Line)

**4. Changhua General Nylon Plant**

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Tel: (04) 895-3888 (Representative Line)

**III. Contact Information of Share Transfer Agency**

Name: Department of Stock Affairs, Taishin International Bank Co., LTD.

Address: B1, No.96, Sec.1, Jianguo N. Rd., Zhongshan Dist., Taipei City

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**IV. Auditors for the latest financial reports**

Firm: Deloitte & Touches

CPAs: Wu,Ke-Chang 、Chiu,Ming-Yu

Address: 20F., No. 100, Songren Rd, Xinyi District, Taipei City

Tel: (02)2725-9988 (Operator)

Web: <https://www2.deloitte.com/tw/tc.html>

**V. The of any exchanges where the Company's securities are traded offshore, and the method by which to access information on the said offshore securities: None****VI. Corporate Website: <http://www.lipeng.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:

Due to the Covid-19 epidemic, many countries' block down has significant impact on the global supply chain. This results in a sharp decline in revenue in the first half of 2020. Moreover, the price of CPL raw materials hit bottom in the third quarter, which also affected the price and sales of nylon chips and nylon yarn. Additionally, the material suppliers stop manufacturing for maintenance in the fourth quarter causing decreased market supply, which is expected to influence the price. In the third quarter, our company established a subsidiary, named Eton Petrochemical Co., Ltd, participating in chemicals trading sector, implementing diversification and vertical integration to supply to Polytex petrochemical companies. This on one hand contributes to company's overall benefit. On the other hand, the company through Eton seizes potential opportunities in petrochemical industry, increasing the accuracy of the company's judgment on the supply and demand of the textile market and enhancing the effectiveness of operating strategy implementation.

The 2020 consolidated revenue is NT\$13.559 billion, 7.00% lower than that of 2019. After tax income is NT\$-414 million, 69.77% lower than that of 2019. Major products are nylon chips 119,178 tons, nylon yarn 27,452 tons, woven fabric 30,850 thousand yards, knit fabric 819 tons.

### (2) Budget implementation:

Not available. Our company only set the 2020 internal budget, and did not disclose financial forecasts to the public.

### (3) Revenue, expenditure, and profitability analysis:

The 2020 unconsolidated revenue of subsidiaries is NT\$ 10.37 billion, after tax income is NT\$- 412 million, After tax profit margin is -3.97%, earnings per share is NT\$- 0.48. Our company unconsolidated financial income and expense and profitability analysis are as below table.

Unit: Thousand NT\$

Item		2019	2020	Increase (Decrease) amount and percentage
Financial income and expense	Operating income	14,452,347	10,369,775	-4,082,572
	Operating cost	14,091,788	10,168,838	-3,922,950
	Before tax profit	-322,087	-533,806	-211,719
	Net Income	-249,366	-412,009	-162,643
Profitability	Return on asset (%)	-1.11	-2.12	-1.01
	Return on equity (%)	-2.61	-4.39	-1.78
	Before tax income to paid-in capital ratio (%)	-3.52	-5.83	-2.31
	Profit margin (%)	-1.72	-3.97	-2.25
	Earnings per share (NT\$)	-0.29	-0.48	-0.19

### (4) Research and development:

The company's product R&D direction is still mainly to meet the customers' demand. Beside diversifying high value-added products, we reach out of the textile area, moving toward industrial plastic area, expanding the application range of nylon.

Moreover, our product development also focuses on environmental protection and the concept of energy saving and carbon reduction. Environment friendly products contribute to reduction of energy consumption,

greenhouse gas emission during the manufacturing process. The R&D has recently been focused on waste recycling, and gained positive outcomes. It has successfully converted environmental protection concepts into actual orders, achieving the economic goals. The company's products which have been mass-produced are as following table:

Type	Application	Specifications
Elastic Nylon Chip/Yarn	Injection grade and fiber grade footwear textile industrial fiber, single fiber	Naturally elastic fiber, elasticity without processing
Modified/Functionalized Nylon Chip	Used for upgrading the physical properties of products such as injection grade and extrusion grade, replacing the customers; existing imported materials.	Increase nylon chips' added value, also low gravity specification which are also in line with lightweight concepts and differentiation to the other suppliers.
Film grade Nylon Chip	Improving the physical properties of film products to enhance stability	
Functionalized Monofilament from Nylon Chip	Extrusion grade and fiber grade monofilament, industrial fiber, monofilament	Increase nylon chips 'value added and differentiate with the other manufacturers
Transparent Nylon Chip	Injection grade and extruded product physical properties modification use	
Brittle Polyether Chip	Modification of injection-grade and fiber-grade footwear fabric material, industrial fiber, single fiber, and recycled chips	High light transmittance, replacing PET differentiated products, high dyeing and finishing dispersion uniformity, high spinning yield Low viscosity attenuation rate during processing is in line with environmentally friendly recycling purposes
Low dye nylon fiber	High grade knit fabric, sports, leisure	Combined with normal nylon fibers to produce a two-tone nylon processed yarn
Antibacterial nylon yarn		Increase the antibacterial effectiveness after laundering and dyeing
Low moisture absorption nylon yarn		Low moisture absorption and high product size stability
Nylon recycled yarn	Knit fabric textile, sport, leisure	GRS green recycling application
Flame retardant nylon yarn	touch fastener, tents	Flame retardant effect

## 2. The 2021 business plan summary

In terms of business strategy, the company defines this year as a leap year, with the overall spirit of "the whole company is of one mind, establishing a sustainable foundation, crossing the boundary, and breaking through international changes".

The world has been continuously affected by Covid-19 pandemic. Taiwan has achieved such a good pandemic prevention thanks to the unity of the whole country. Also, our company with unity spirit turns risks into opportunities. In order to reduce plastic consumption, textile product application expands to 3C supporting products. With our strong R&D, sales and one stop production services, we are able to coordinate with brand owners' R&D plan for product development, facilitating the penetration of textile products in electronic materials. We will also actively expand the market and seize business opportunities in 3C application field.

Nylon Business Unit: Carefully evaluate the supply and demand changes and price fluctuations of raw and auxiliary materials to effectively plan procurement strategies.

Nylon Chips: Actively developing and selling products, expanding the scope of application; boosting sales in India, Central and South America, and developing new markets.

Nylon Yarn: Seeking for more stable quality and continue making differentiated products.

High-end textile business unit: Improving coloring accuracy, promptly responding to customer needs; developing environmentally friendly, functional, and high-value-added textile products, strengthening brand cooperation, and seeking for new customers.

### **3. The company's future development strategy under impacts of external environment, legal environment, and overall business environment**

With the rise of environmental awareness, in recent years, global brands such as home furniture, apparel, footwear materials, 3C, etc. have begun to set annual carbon reduction targets. Besides their own requirements, their supply chain manufacturers also need to join carbon reduction process in order to obtain a complete green product life. The RePET, Ecoya, and ReEcoya developed by our company, and waste recycled products, have been highly recognized, and the sales volume has been increasing year by year.

For gaining more global environmentally friendly product orders, aiming to green production goals, Libolon Energy Co. LTD was established with 70% investment from our company, preparing to invest in the green power field of wind power generation to provide the energy required for the group's production. In the future, the company will move towards the goal that 100% of the power for production is green energy.

In the face of the global economic downturn and instability, the company still strives to seek for innovation and change, showing its determination of sustainable operation. Finally, I would like to express my deepest gratitude to all shareholders and wish you all good health and all the best.

Chairman: Kuo Shao Yi

Manager: Kuo Shao Yi

Accounting Manager: Ko Pei chun

## II. Company Profile

### 1. Founding Date: 20 August 1975

### 2. Company History:

- (1) The Company was authorized to be established on 20 August 1975 by the Chairman, Mr. Kuo Mu Sheng, with a paid-in capital of NTD4.7 million.
- (2) In 1976, the Company acquired land to build a printing plant in Tu-Chen Township Taipei County to establish the textile and paper graphic printing business.
- (3) In 1985, the Company acquired a plant about 90,770 square meter in size in Yangmei township; in 1986, on the acquired land, we built a dyeing plant to establish the dyeing processing business for T/C knitted fabrics.
- (4) In early 1987, we planned to set up a textile plant. The construction started on 5 September 1987 and completed on 1 July 1988. The plant includes 360 sets of water jets looms. Once the construction was completed, the plant immediately started manufacturing various of filament fabrics.
- (5) In 1989, we purchased additional equipment for the dyeing plant to work on the dyeing and finishing processes for the material of Polyester and Nylon filament inwoven fabrics. After the new machinery was installed, we became an one-stop shop operation from weaving to dyeing.
- (6) In 1990, answering the calls from the market to strengthen our research & development and the request to reorganize, we increased the paid-in capital to NTD500 million to become a public company.
- (7) 1991, we imported new machines so that we could -focus on making high quality fabrics and at the same time increase our capacity. The paid-in capital was increased to NTD600 million.
- (8) On 28 Jan 1992, the Company was successfully listed and traded in the Taiwan Stock Exchange market.
- (9) On 8 September 1992, in order to set up new dyeing facility, we built a new plant in Fangyuan Industry Area, Changhua County; the paid-in capital was NTD1020 million.
- (10) In 1993, by converting the retained earnings into capitals, we purchased more weaving mills and upgraded dyeing & finishing machines; the paid-in capital increased to NTD1224 million.
- (11) In 1994, we raised capital by injecting cash to build Steam/Electricity Co-generation System, to pay for loans, and to improve our financial status; the paid-in capital was NTD1707.6 million.
- (12) In December 1995, all our plants were awarded with ISO-9001 international certificates.
- (13) In 1996, we purchased the latest hard twistors and dyeing machines. All equipment went into mass production in the 4th quarter of the same year. In addition, we invested another NTD40 million in biological treatment and sewage sludge disposal facility. After we completed the expansion of the discharge water processing, effluent readings became far lower than regulatory requirements set by Environmental Protection Administration.
- (14) In 1997, we raised capital by cash injection to build a nylon spinning plant at the Fangyuan Industry Area of Changhua County. In the 2nd quarter of 1999, the plant was released for trial mass production.
- (15) In 1998, we raised capital by cash injection to build a nylon polymerization plant at the Fangyuan Industry Area of Changhua County. The plant was released for trial mass production in the first quarter of 2000. In addition, we expanded Yangmei dyeing plant in 1998; the expansion was completed, and Yangmei plant was released for trial mass production in the 3rd quarter of 1999.
- (16) In 1998, we invested NTD80 million in the 4th phase project of processing discharge water. After the project was completed, it could handle more discharge water than the effluent standards set by the Environmental Protection Administration.
- (17) In 2000, we built a coating factory within the area of Yangmei plant. The monthly capacity of the coating factory was 3 million yards. In March 2001, it was released for trial mass production.

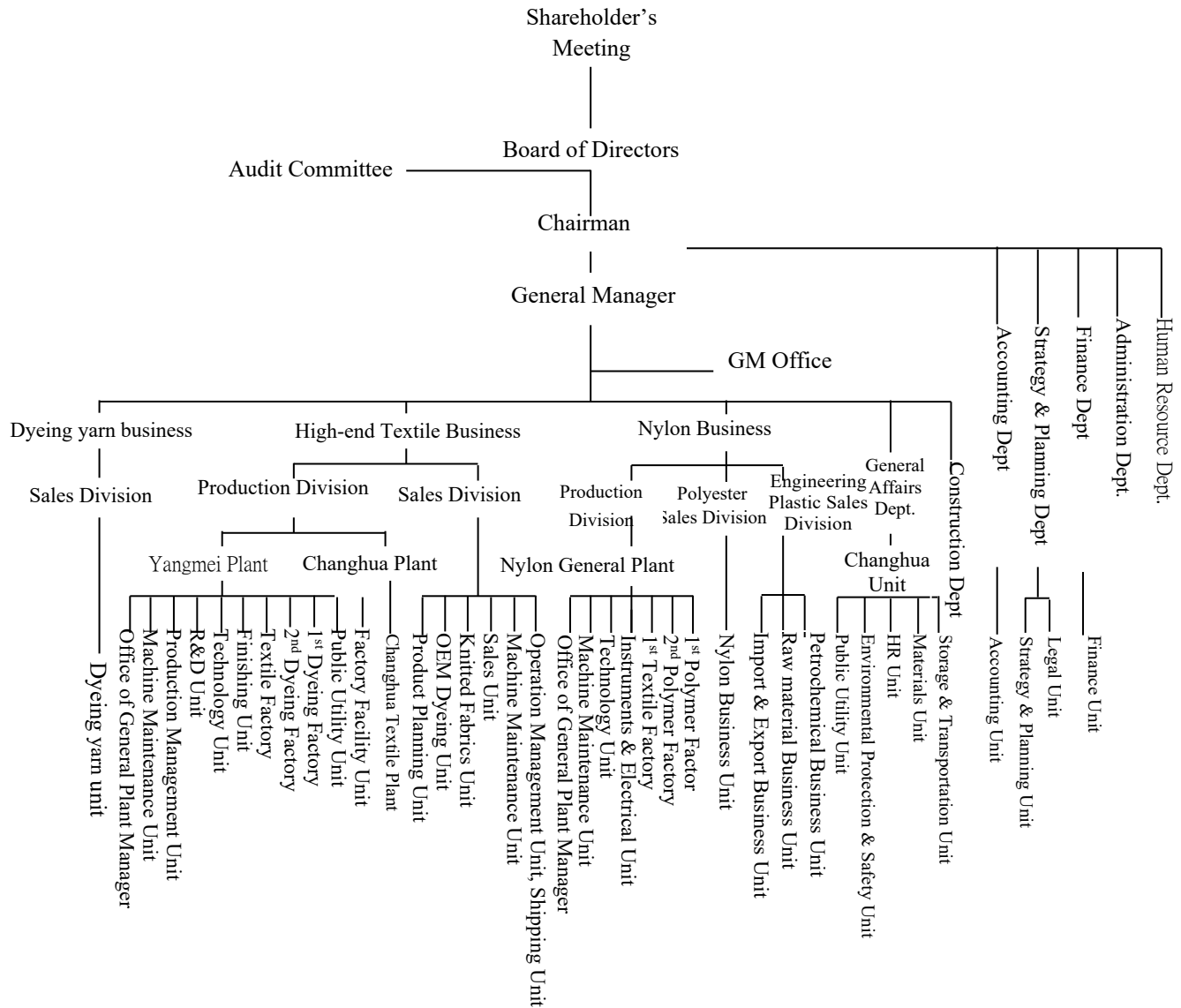


- (18) In 2000, Changhua textile plant was awarded 3 certificates: ISO9001 Quality Management Certificate, ISO14001 Environment Management Certificate, OHSAS 18001 Certificate, Occupational Health & Safety Certificate.
- (19) In order to increase our product range, in 2003, we invested NTD379 million to purchase 162 rapier looms to produce filament and staple fiber in Hsinchu plant.
- (20) In 2005, we set up 3 nylon polymerization production lines sequentially. Each line's capacity was 100 ton per day. It was estimated to increase the overall capacity to 9000 tons per months after expansion completion.
- (21) In 2006, we established a second-tier subsidiary, Libolon (Shanghai) International Trading Co., Ltd., in Shanghai, China.
- (22) In 2007, capacity expansion at the 2nd nylon polymerization plant with a daily output of 300 tons was completed. In the 2nd quarter, the 2nd plant went into mass production smoothly. The total nylon chip production capacity increased to 27,000 tons/month.
- (23) In 2011, we acquired 126 sets of air-jet looms to place at Changhua textile plant in order to reduce water consumption, diversified production portfolio, and increase capacity.
- (24) In 2012, we acquired more equipment to place at various plants, including 18 air-jet looms and 40 water-jet looms at Changhua textile plant, and 53 water-jet looms at Yangmei plant.
- (25) We invested NTD2 billion to build our 6th nylon chip production line, which was ready for mass production at the 2nd quarter of 2016.
- (26) In order to meet regulatory standards stipulated in the environmental protection laws and regulations, in 2019, along with the cost spent on land acquisition, we invested in total NTD104 million in building a sewage treatment plant at Yangmei plant. We have improved our capability of reducing and processing wastewater and strongly demonstrated our dedication to environmental protection and sustainability.
- (27) In 2019, we purchased 40 sets of 3.6-meter height air-jet looms and other related equipment to produce high value added upholstery and furnishing fabrics. Started production in Q2. It is expected to bring in an additional source of revenue for the Company.

### III. Corporate Governance Report

#### 1. Organization

##### 1.1 Organizational Structure



## 1.2 Functions and Responsibilities of Main Divisions

Department/Unit	Business
GM Office	Formulation and implementation of business objectives and strategies.
Audit Committee	Execute the audit on the entire business operations, provide analysis report on abnormality, and provide improvement plan.
General Plant Manager's Office, Production Unit	Supervise the entire manufacturing processes, production planning, defect management, and operation coordination of all plants.
R&D, Technology Unit	In charge of R&D and quality control management
Maintenance Unit	In charge of maintenance and servicing of production machinery and installation of add-on components.
Factory Facility Unit Yangmei Plant	In charge of planning and management of administration, general affairs, HR, materials and assets in the plants; responsible for planning, management, maintenance, and improvement of communal water & electricity, factory power, electrical, plumbing & air-conditioning, and engineering projects.
Public Utilities Unit	Responsible for facilities in the common areas of the plants, including steam/electricity co-generation system, environment engineering and wastewater treatment.
1 <sup>st</sup> & 2 <sup>nd</sup> Dyeing Units	Responsible for manufacturing management of various knitted and woven fabrics; executing improvements for dyeing processes, warehousing management, and technological operations
Textile Factory	Responsible manufacturing management, warping, waving, warehousing operation, and technology improvement.
Finishing Unit	In charge of finishing and setting processes of various knitted and woven fabrics.
Production Management Unit	In charge of production scheduling and control operations.
Changhua Textile Mill Changhua Plant	In charge of finishing, weaving, warehouse management and technology improvement of high twist fabrics and filament fabrics.
Changhua General Nylon Plant, 1 <sup>st</sup> Polymer Plant, 2 <sup>nd</sup> Polymer Plant	In charge of polymerization manufacturing processes.
1 <sup>st</sup> Textile Unit	In charge of Nylon yarn production matters.
Instruments & Electrical Unit	Managing, maintaining, and servicing various power control systems
General Affairs Department, Changhua General Affairs Division	Responsible for planning and management of warehouse, goods storage & transportation, maintenance & services of common facilities, EHS, general affairs, HR, raw materials, and assets management in Changhua Plant.
Construction Department	In charge of factory construction domestically and internationally, and scheduling of engineering projects.
High-end Textile Business, Sales Division, Maintenance Unit, Shipping Unit	Business operation management, review & approval of bills of draft
OEM Dyeing Business	OEM dyeing processes for various types of fabrics
Business Unit, Knitted Fabrics Unit	Domestic and international sales of various types of fabrics; taking orders of dyeing, finishing, and setting processes for fabrics.
Engineering Unit	Purchase of base yarns, wrap beam yarns, greige, and raw materials for coloured cloth; outsourcing cloth for weaving, dyeing, and post-processing
Product Planning Unit	Review marketing strategies and planning of future products
Dyeing yarn Business, Sales Dept., Dyeing yarn Unit	Procurement of Polyesters and nylon gray yarns; domestic and international sales of dyed yarns
Nylon Business, Polyester Division, Engineering Plastic Division	Sales of Nylon and Polyester products, sales and marketing of products, review of documentary bills, and gathering market information
Accounting Department	Establishing accounting system, handling bookkeeping, taxation, cost accounting, and stock affairs.
Strategy & Planning Department	Business management analysis, project planning, ERP implementation, establishing or amending company regulations, making marketing materials, handling lawsuits and reviewing contracts.
Finance Department	Cashier, fund dispatch, etc.
Administration Department	Various general administrative operations, purchase and contract out operations
Human Resource Department	Planning and recruiting new staff, personnel administration, education training, foreign workers, employee business travels, payroll management

## 2. Profile of Directors, Supervisors, General Manager, Vice President, Assistant Vice President, and Supervisors of various Departments and Subsidiary Agencies

### 2.1 Information of Directors and Independent Directors

As of 25 April 2021

	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education/ Experience	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Notes
							No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relation	
Chairman	ROC	Kuo, Shao-Yi	Male	12 June 2018	3 years	11 Sep 1985	9,513,483	1.04%	9,584,819	1.05%	3,338,153	0.37%	8,346,403	0.91%	International Business Management, EMBA, College of Management, National Taiwan University	President of Li Peng Enterprise; Chairman/President of LEALEA Enterprise, Chairman of LEALEA Technology, Li Ling Film, Lea Jie Energy, Tung Ting Investment, APEX Fong Yi Technology, Libolon Energy, Eton Petrochemical, PT Indonesia Libolon Fiber System	Representative Director	Kuo, Shu-chen	Elder Sister	Notes
Director	ROC	Chen, Ping-Huang	Male	12 June 2018	3 years	16 Nov 2007	53,343	0.01%	53,343	0.01%	0	0.00%	0	0.00%	Chemical Engineering Department, National Taipei Institute of Technology	Vice President of Li Peng Enterprise; Representative Supervisor of Lea Jie Energy; Director of Fu Li Transportation Co., Ltd.	-	-	-	-
Director	ROC	Kuo, Chi-kang	Male	12 June 2018	3 Years	19 June 2009	400,644	0.04%	400,644	0.04%	0	0.00%	0	0.00%	Cal poly Pomona's College of Hospitality Management, at California, USA.	President of Rich Development; Chairman of Yilang LEALEA Development; Director of Forest, Water, Environment Eng'g, and Ho Ching Enterprise	-	-	-	-
Director	ROC	LEALEA Enterprise	Male	12 June 2018	3 Years	16 July 1991	145,353,853	15.89%	145,353,853	15.89%	0	0.00%	0	0.00%	-	Chairman of Li Hao Investment and Li Zan Investment	-	-	-	-
		Representative, Tung, Min-Hsiung			3 Years	10 July 2019	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Textile Engineering, Feng Chia University	VP of Li Peng Enterprise; Supervisor of Libolon Energy	-	-	-	-
Director	ROC	Li Mao Investment	Female	12 June 2018	3 years	10 June 2015	34,177,995	3.74%	34,177,995	3.74%	0	0.00%	0	0.00%	-	-	-	-	-	-
		Representative Kuo, Shu-chen					71,335	0.01%	0	0.00%	105	0.00%	0	0.00%	MBA, Yale University; Master, Yale School of Public Health, Yale University	Chairman of Rich Development and Forest, Water, Environment Eng'g; Representative Director of LEALEA Enterprise and LEALEA Hotels & Resorts	Director	Kuo, Shao-yi	Younger Brother	-

	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education/ Experience	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Notes
							No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relation	
Director	ROC	Shun Yu Investment	Male	12 June 2018	3 Years	10 June 2015	11,991,397	1.31%	11,991,397	1.31%	0	0.00%	0	0.00%	-	Representative	-	-	-	-
		Representative, Kuo, Ko-chung					0	0.00%	320,516	0.04%	0	0.00%	0	0.00%	San Maring High School	Director of LEALEA Enterprise, and Rich Development	-	-	-	-
Independent Director	ROC	Lin, Yao-chuan	Male	12 June 2018	3 Years	12 June 2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	NTU, College of Law	Partner Lawyer, Liyan Legal Firm. 立 衍	-	-	-	-
Independent Director	ROC	Kao, Cheng-Shang	Male	12 June 2018	3 Years	12 June 2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Institute of Political Science, Chinese Cultural University	CEO of Native Taiwanese Social Enterprise	-	-	-	-
Independent Director	ROC	Lee, Su-chin	Female	12 June 2018	3 Years	12 June 2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of Finance, National Taiwan University	Vice president, President Office, Cyntec Company	-	-	-	-

Note: The role of Chairman and the President of the Company are held by Mr Kuo Shao-Yi as there is no one else better qualified to hold these roles.. Rationality: Mr. Kuo Shao-Yi started from grass-roots work. Therefore, he has accumulated complete experience from various job positions in the Company. Necessity: Quick decision-making, capable to lead the Company with flexibility and efficiency. Response Measure: The Company will conform to the laws and regulations in 2023.



**Table 1: Major Institutional Shareholders**

25 April 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
LEALEA Enterprise Co., Ltd.	Tung Ting Investment Co., Ltd.	7.97%
	Li Peng Enterprise Co., Ltd.	7.49%
	Li Mou Investment Co., Ltd.	5.34%
	Li Shing Investment Co., Ltd.	3.65%
	Hung Shing Investment Co., Ltd.	3.52%
	Chin 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%
	Kuo Shao Yi	1.43%
Li Mao Investment Co., Ltd.	Li Peng Enterprise Co., Ltd.	53.38%
	LEALEA Enterprise Co., Ltd.	46.62%
Shun Yu Investment Co., Ltd.	Kuo, Chun-Nan	52.94%
	Kuo, Pi-Yuan	32.94%
	Kuo, Ke-Rong	3.53%
	Kuo, Ke-Chung	3.53%
	Kuo, Ke-Wen	3.53%
	Kuo, Ke-Ping	3.53%

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

25 April 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
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 Mou Investment Co., Ltd.	3.74%
	Li Zan Investment Co., Ltd.	3.42%
	Hung Shing Investment Co., Ltd.	2.69%
	Chin Hsiang Investment Co., Ltd.	2.34%
	Li Shing Investment Co., Ltd.	1.86%
	Hong Yi Investment Co., Ltd.	1.65%
	Kuo Chuan Ching	1.39%
	YIRONG Investment Co., Ltd.	1.32%
Li Mao Investment Co., Ltd.	Li Peng Enterprise Co., Ltd.	53.38%
	LEALEA Enterprise Co., Ltd.	46.62%
Li Shing Investment Co., Ltd.	Li Peng Enterprise Co., Ltd.	53.00%
	LEALEA Enterprise Co., Ltd.	47.00%
Hung Hsing 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	%
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-Chien	7.17%
	Yang, I-Lin	6.05%
	Lin, Chian-Chian	1.53%
Kai Hsiang Investment Co., Ltd.	Kuo, Shao-Yi	37.40%
	Kuo, Yu-Chun	16.74%
	Yang, I-Lin	14.79%
	Chih Hsiang Investment Co., Ltd.	9.76%
	Kuo, Shu-Chen	5.00%
	Kuo, Shu-Jen	5.00%
	Kuo, Shu-Hua	5.00%
	Yirong Investment Co., Ltd.	1.67%
	Tung Ting Investment Co., Ltd.	1.67%
	Hong Yi Investment Co., Ltd.	1.57%
Kuan Hsiang 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%
Shun Yu Investment Co., Ltd.	Hung Chuan-Fu	38.41%
	Hung Tsung-CHI	38.41%
	Hung, Neng-Tsu	11.10%
	Huang, Su-Ying	5.05%
	Huang, Mei-Yao	5.05%
	Hung, Hsieh-Wu	1.98%

## 2.1 Information of Directors (2)

25 April 2021

Criteria          Name (Note 1)	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note 2)												Currently serving as the independent director of other public companies
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Kuo, Shao-Yi			✓											✓	✓	---
Tung, Min-hsiung			✓			✓		✓		✓	✓		✓	✓		---
Kuo, Shu-chen			✓			✓		✓	✓	✓	✓			✓		---
Kuo, Ko-chung			✓			✓	✓	✓	✓	✓	✓		✓	✓		---
Chen, Ping-Huang			✓			✓		✓		✓			✓	✓	✓	---
Kuo, Chi-kang			✓			✓	✓	✓	✓	✓	✓		✓	✓	✓	---
Lin, Yao-chuan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	---
Kao, Cheng-Shang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	---
Lee, Su-Chin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	---

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 spouse 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

25 April 2021

Job Title	Nationality	Name	Gender	Date Elected	Shares Held		Shares held by spouse or minor children		Shares held by the name of other persons		Main working (education) experience	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Note
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Job Title	Name	Relations	
President	ROC	Kuo, Shao-Yi	Male	1 March 2014	9,584,819	1.05%	3,338,153	0.37%	8,346,403	0.91%	International Business Management, EMBA, College of Management, National Taiwan University	Chairman of LEALEA Enterprise, LEALEA Technology, Li Ling Film, Lea Jie Energy, Tung Ting Investment, APEX Fong Yi Technology, Libolon Energy, Eton Petrochemical, PT Indonesia Libolon Fiber System	-	-	-	Note
Vice President		Chen, Ping-Huang	Male	15 April 1999	53,343	0.01%	0	0.00%	0	0.00%	Chemical Engineering Department, National Taipei Institute of Technology	Representative Supervisor of Lea Jie Energy; Director of Fu Li Transportation Co., Ltd.	-	-	-	-
Vice President		Tung, Min-hsiung	Male	1 September 2000	0	0.00%	0	0.00%	0	0.00%	Department of Textile Engineering, Feng Chia University	Supervisor of Libolon Energy	-	-	-	-
Vice President		Chen Yu-Chou	Male	1 September 2016	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of Chemical Engineering, California State of University, USA	Supervisor of Li Mao Investment, Director of Fuli Express Co., Ltd and Eton Petrochemical	-	-	-	-
Vice President		Yuan, Pei-Huan	Female	1 September 2012	53,114	0.01%	0	0.00%	0	0.00%	Department of Accounting, Chung Yuan Christian University	Director of LEALEA Technology and PT. Indonesia Libolon System Supervisor of Fu Li Transportation Co., Ltd	-	-	-	-
Assistant Vice President		Kuo, Li-Ching	Male	1 September 2013	6,930	0.00%	0	0.00%	0	0.00%	Department of Textile Engineering, Feng Chia University	President of Libolon (Shanghai) Trading Company	-	-	-	-
Assistant Vice President		Su Yen-Ming	Male	1 September 2016	8,715	0.00%	16,818	0.00%	0	0.00%	Department of Textile Engineering, National Taipei University of Taipei	-	-	-	-	-

Job Title	Nationality	Name	Gender	Date Elected	Shares Held		Shares held by spouse or minor children		Shares held by the name of other persons		Main working (education) experience	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Note
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Job Title	Name	Relations	
Assistant Vice President	R O C	Yu Jeng Houng	Male	4 Jan 2021	0	0.00%	0	0	0	0.00%	Accounting and Decision Making, EMBA, National Taiwan University	-	-	-	-	-
General Plant Manager		Wang, Chun-Fa	Male	1 July 2016	84,525	0.01%	0	0.00%	0	0.00%	General Course, Heng Yee High School	-	-	-	-	-
General Plant Manager		Yang, Han-Hsing	Male	1 Aug 2019	41	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Tatung University	-	-	-	-	-
Finance Manager		Wang, Li-Yen	Female	1 Aug 2011	7,280	0.00%	0	0.00%	0	0.00%	MBA, University of Texas	-	-	-	-	-
Accounting Manager		Ko, Pei-Chun	Female	1 Nov 2019	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Chung Hsing University	-	-	-	-	-

Note: The Chairman and the President of the Company are the same person based on the consideration that there is no suitable candidate to take the position.

Rationality: Mr. Kuo Shao-Yi started from grass-roots work. Therefore, he has accumulated complete experience from various job positions in the Company.

Necessity: Quick decision-making, capable to lead the Company with flexibility and efficiency.

Response Measure: The Company will conform to the laws and regulations in 2023.



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

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

Unit: NTD1000

Job Title	Name	Directors' Remuneration								Ratio of total Remuneration (A+B+C+D) to Net Income (Note 7)		Relevant Remuneration Received by Directors who are also employees								Ratio of total Compensation (A+B+C+D+E) to Net Income (Note 7)		Compensation Paid to Directors from an invested Company (Note 8)
		Remuneration (A) (Note 1)		Retirement Pension (B)		Directors' Remuneration (C)(Note 2)		Expenses on Professional Practice (D) (Note 3)				Salary, Bonuses & Allowance (E) (Note 4)		Severance Pay (F)		Profit Sharing – Employee Bonus (G) (Note 5)						
		The Company	Companies in the consolidated financial statements (Note 6)	The Company	Companies in the consolidated financial statements (Note 6)	The Company	Companies in the consolidated financial statements (Note 6)	The Company	Companies in the consolidated financial statements (Note 6)	The Company	Companies in the consolidated financial statements (Note 6)	The Company	Companies in the consolidated financial statements (Note 6)	The Company	Companies in the consolidated financial statements (Note 6)	The Company		Companies in the consolidated financial statements (Note 6)		The Company	Companies in the consolidated financial statements (Note 6)	
																Cash	Cash	Cash	Cash			
Chairman	Kuo, Shao-Yi	300	300	0	0	0	0	0	0	-0.07	-0.07	3987	3987	72	72	0	0	0	0	-1.06	-1.06	2147.5
Director	Chen, Ping-Huang	300	300	0	0	0	0	0	0	-0.07	-0.07	4795.9	4795.9	37.2	37.2	0	0	0	0	-1.25	-1.25	429.5
	Kuo, Chi-Kang	300	300	0	0	0	0	0	0	-0.07	-0.07	0	0	0	0	0	0	0	0	-0.07	-0.07	-
	LEALEA Enterprise, Representative: Tung, Min-Hsiung	300	300	0	0	0	0	0	0	-0.07	-0.07	2918	2918	26.4	26.4	0	0	0	0	-0.79	-0.79	-
	Li Mao Investment, Representative: Kuo, Shu-Chen	300	300	0	0	0	0	0	0	-0.07	-0.07	0	0	0	0	0	0	0	0	-0.07	-0.07	-
	Shun Yu Investment, Representative: Kuo, Ko-Chung	300	300	0	0	0	0	0	0	-0.07	-0.07	0	0	0	0	0	0	0	0	-0.07	-0.07	-
Independent Director	Lin, Yao-Chuan	465	465	0	0	0	0	0	0	-0.11	-0.11	0	0	0	0	0	0	0	0	-0.11	-0.11	-
	Kao, Cheng-Shang	465	465	0	0	0	0	0	0	-0.11	-0.11	0	0	0	0	0	0	0	0	-0.11	-0.11	-
	Lee, Su-Chin	465	465	0	0	0	0	0	0	-0.11	-0.11	0	0	0	0	0	0	0	0	-0.11	-0.11	-
1. The Company's independent directors' remuneration policy, system, standards and structure, and the relationship with the amount of remuneration according to the responsibilities, risks and time invested are described below: Regardless of profit or loss, a fixed amount of remuneration is paid every month.																						
2. Except the disclosure in the table above, remunerations paid for the services (e.g. acting as non-employee consultant) provided by the Directors for all companies covered in the consolidated financial statement in the most recent year: None.																						

Note 1: Remuneration of directors of the recent year (including salaries, job remuneration, severance, bonuses, and performance fees).

Note 2: Remuneration paid to directors of the recent year upon the approval of the Board of Directors.

Note 3: Business expenses paid out to directors in the recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 4: Remuneration for directors concurrently holding positions in the Company (for positions that include the President, Vice President, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included. Salary expenses recognized in accordance with IFRS 2 "Share-based Payment" including acquisition of employee stock warrants, new restricted employee shares, and participation in capital increases by cash subscription, shall all be calculated as remuneration.

Note 5: Refers to those who receiving employee remuneration (stock and cash bonus); such as those director, who also services as an employee to the Company, (including concurrently serving as a president, vice president, other manager, or employee), shall disclose the rewarding amount proposed and resolved by the Board. (If cannot be estimated, the distribution amount of this year shall be determined by the actual distribution ratio of last year). Table 1-3 shall be filled in.

Note 6: Total remuneration paid by all the companies (including the Company) in the consolidated report to the director.

Note 7: Net income disclosed from the latest financial statement of each company.

Note 8: a. This field represents all forms of remuneration that the director received from the Company's parent company or invested businesses other than subsidiaries (specify "-" if absent).

b. Remuneration refers to any return, compensation (including compensations received as an employee, director and supervisor) and professional service fee that the Company's director received for serving as director, supervisor, or manager in the parent company or invested businesses other than subsidiaries.

### 3.2 Supervisors' Remuneration

1. Remuneration paid to Supervisors (to disclose aggregate remuneration information with the name(s) indicated for each remuneration range): The Company has set up the Auditor Committee to replace Supervisors.

### 3.3 President and Vice Presidents' Remuneration

Unit: NTD1000

Job Title	Name	Salary (A) (Note1)		Pension upon Retirement (B)		Bonuses & Special Disbursement Paid (C) (Note 2)		Amount of Employee Remuneration (D) (Note 3)				Ratio of total Remuneration (A+B+C+D) to Net Income (%) (Note 5)		Compensation paid to the President and VP from an invested company or the parent company other than the company's subsidiary (Note 6)
		The Company	Consolidated Subsidiaries (Note 4)	The Company	Consolidated Subsidiaries (Note 4)	The Company	Consolidated Subsidiaries (Note 4)	The Company		Consolidated Subsidiaries (Note 4)		The Company	Consolidated subsidiaries (Note 4)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Kuo, Shao-Yi	3,600	3,600	72	72	387	387	0	0	0	0	-0.99	-0.99	2,147.5
Vice President	Chen, Ping-Huang	1,860	1,860	37.2	37.2	2,935.9	2,935.9	0	0	0	0	-1.17	-1.17	429.5
Vice President	Tung, Min-Hsiung	1,320	1,320	26.4	26.4	1,598	1,598	0	0	0	0	-0.71	-0.71	None
Vice President	Chen Yu-Chou	1,200	1,200	48	48	1,478.9	1,478.9	0	0	0	0	-0.66	-0.66	None
Vice President	Yuan, Pei-Huan	1,200	1,200	48	48	1,054.5	1,054.5	0	0	0	0	-0.56	-0.56	1,418.9

Note: The Company provides 4 vehicles and 2 staff dormitories; the imputed rent is NTD1,002 thousand and NTD304 thousand respectively.

Note 1: This includes salary, compensation for professional services, severance pay, and all bonus and bounties paid to President and Vice President during the year.

Note 2: Payments to Presidents or Vice Presidents to reward or cover business expenses (including various bonuses, rewards, travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received. Salary expenses recognized in accordance with IFRS 2 "Share-based Payment" include acquisition of employee stock warrants, new restricted employee shares, and participation in capital increases by cash subscription, shall all be calculated as remuneration.

Note 3: Employee remuneration amount (stock and cash; if cannot be estimated, the distribution amount of this year shall be determined by the actual distribution ratio of last year) to President or Vice President is proposed and resolved by the Board of the fiscal years. Table 1-3 shall be filled in.

Note 4: Aggregated amount of individual compensation paid by the Group companies (including the Company) in the consolidated statement to the president or executive vice president.

Note 5: Net income disclosed from the latest financial statement of each company.

Note 6: a. This field represents all forms of remuneration that the President and Vice Presidents received from the Company's parent company or invested businesses other than subsidiaries (specify "-" if absent).  
b. For President/Vice Presidents who receive remuneration from parent company or invested businesses other than subsidiaries, the amount of remuneration from parent company or invested businesses have been added to column E of the remuneration brackets table. In which case, column E will be renamed ".parent company and all invested businesses..."  
c. Remuneration refers to any returns, compensation (including compensations received as an employee, director, and supervisor) and professional service fees that the Company's President/Vice Presidents received for serving as directors, supervisors or managers in the parent company or invested businesses other than subsidiaries.

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

Unit: NTD1000

Job Title	Name	Salary (A) (Note 2)		Pension upon Retirement (B)		Bonuses & Special Disbursement Paid (C) (Note 3)		Amount of Employee Remuneration (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to (%) (Note 6)		Compensation paid to the President and VP from an invested company or the parent company other than the company's subsidiary (Note 7)
		The Company	Consolidated Subsidiaries (Note 5)	The Company	Consolidated Subsidiaries (Note 5)	The Company	Consolidated Subsidiaries (Note 5)	The Company		Consolidated Subsidiaries (Note 5)		The Company	Consolidated subsidiaries (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Kuo, Shao-Yi	3,600	3,600	72	72	387	387	0	0	0	0	-0.99	-0.99	2,147.5
VP	Chen, Ping-Huang	1,860	1,860	37.2	37.2	2,935.9	2,935.9	0	0	0	0	-1.17	-1.17	429.5
VP	Tung, Min-Hsiung	1,320	1,320	26.4	26.4	1,598	1,598	0	0	0	0	-0.71	-0.71	-
VP	Chen, Yu-Chou	1,200	1,200	48	48	1,478.9	1,478.9	0	0	0	0	-0.66	-0.66	-
VP	Yuan, Pei-Huan	1,200	1,200	48	48	1,054.5	1,054.5	0	0	0	0	-0.56	-0.56	1,418.9

Note: The Company provides 4 vehicles and 2 staff dormitories; the imputed rent is NTD1,002 thousand and NTD304 thousand respectively.

Note 1: Managerial officers with the top five highest remuneration amounts refers to managers at The Company, in which the standard for determining managers is the applicable scope set forth in Order Tai-CaiZheng-San-Zi No. 0920001301 from the former Securities and Futures Commission, Ministry of Finance dated March 27, 2003. The top five highest remuneration amounts are determined based on the sum of salaries, severance pay, bonuses and allowances, and employee compensation received by a managerial officer from all companies in the consolidated financial statements (i.e., A+B+C+D). If the directors also serve concurrently the positions listed above, this Form and the previous Form (1-1) must be filled out.

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.

Note 3: Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not calculating as remuneration. The salaries recognised in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock at cash capital increase, shall also be calculated as remuneration.

Note 4: Refers to the amount of employee compensation (including stock and cash) approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year. If the amount of employee compensation cannot be estimated this year, the proposed amount should be calculated based on the actual amount and ratio distributed last year. And the Appendix Form (1-3) should be filled out.

Note 5: The total remuneration paid by all companies in the consolidated statements (including The Company) to managerial officers with the top five highest remuneration amounts must be disclosed.

Note 6: The net income after-tax refers to the net income after-tax in the standalone financial statements for the most recent year.

Note 7: a. This field represents all forms of remuneration paid to the managerial officers with the top five remuneration amounts received from the Company's parent company or invested businesses other than subsidiaries (specify "-" if absent).  
b. Remuneration refers to any return, compensation (including compensations received as an employee, director and supervisor) and professional service fee paid to the managerial officers with the top five remuneration amounts while serving as director, supervisor, or manager in the parent company or invested businesses other than subsidiaries.

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

31 March 2021

Unit: NTD1000

	Title	Name	Amount of Stock dividend	Amount of Cash dividend	Total	% of Total Amount against Net Income
Managerial Officers	President	Kuo, Shao-Yi	0	0	0	0
	Vice President	Chen, Ping-Huang				
	Vice President	Tung, Min-Hsiung				
	Vice President	Chen Yu-Chou				
	Vice President	Yuan, Pei-Huan				
	Assistant Vice President	Kuo, Li-Chen				
	Assistant Vice President	Su Yen-Ming				
	Assistant Vice President	Yu Jeng Houng				
	General Plant Manager	Wang, Chun-Fa				
	General Plant Manager	Yang, Han-Hsing				
	Accounting Manager	Ko, Pei-Chun				
	Finance Manager	Wang, Li-Yen				

Note: The scope of application for managers is defined in accordance with the Tai.Chai.Chen (III) No. 0920001301 letter dated March 37, 2003 by the SEC as follows:

- (1) President and the equals
- (2) Senior Vice President and the equals
- (3) Assistant Vice President and the equals
- (4) Finance Manager
- (5) Accounting Manager
- (6) Managerial Officers and the individuals authorized to sign

**3.6 Ratio analysis of the total remuneration paid by the Company and by all companies included in consolidated financial report to Directors, Supervisors, President, and Vice Presidents in the most recent two fiscal years over the Net Income, and the explanation of the remuneration policy and the relation between business performance and future risk.**

1. Ratio Analysis:

2019		2020	
The Ratio of total remuneration paid by the Company to Directors, Supervisors, President, and Vice Presidents / Net Income (%)		The Ratio of total remuneration paid by the Company to Directors, Supervisors, President, and Vice Presidents / Net Income (%)	
The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
-12.5456%	-12.5456%	-7.73%	-7.73%

2. The remuneration policy, standard, and combination procedures

It is stipulated in the Articles of Incorporation that no less than 2% of the profit shall be distributed as the employee bonus, and a portion of no higher than 5% as the directors' compensation. However, if the Company has accumulated loss, it shall first cover the loss before allocating a fixed amount or ratio from the current year distributable as indicated above to the employees and directors as compensation. Apart from the fixed compensation, the directors and Independent Directors shall receive director remunerations. The actual distributable ratio and amount shall be evaluated and recommended by the Remuneration Committee according to the distribution principles and then approved by the resolution of the Board of Directors' meeting, and reported in the shareholders' Annual Meeting. The Remuneration paid to managers includes salary and annual bonus. Salary is determined by organization system, ranking, job title, and Payroll Administration Measures. Annual Bonus (year-end and surplus bonus) will be reasonably awarded based on financial indicators (such as PE ratio or EPS of the core business), non-financial indicators (such as Performance Assessment, Ranking, merits, or errors), and future operational risks.

3. Remuneration Payment Procedure

The distributable ratio and amount shall be evaluated and recommended by the Remuneration Committee according to the Distribution Principles and then approved by the resolution of the Board of Directors' meeting and reported in the shareholders' Annual Meeting.

4. Relations between the Management Performance and future Risks

The remuneration paid to managers has been taken into consideration of their professionalism, company's operation, and financial status. The performance of the staff whose ranks under vice president (included) shall be evaluated every six months.

The management of the Company is able to arrive at critical decisions because they have carefully gone through risk assessment and evaluated all factors. These important decisions influenced the profitability of the Company as well as the remuneration of Directors and managers of the Company.



## 4. Company Governance Status

### 4.1 Board of Directors

During the latest year (2020), **9 board meetings (A)** were held. The attendance of the directors is as follows:

Title	Name (Note 1)	Attendance in Person (B)	Attendance by Proxy	Attendance Rate in Person (%) 【B/A】 (Note 2)	Remarks
Chairman	Kuo, Shao-Yi	9	0	100%	
Director	LEALEA Enterprise Co., LTD. Representative: Tung, Min-Hsiung	9	0	100%	
Director	Li Mou Investment Co., LTD. Representative: Kuo, Shu-Chen	9	0	100%	
Director	Shun Yu Investment Co., LTD. Representative: Kuo, Ko-Chung	9	0	100%	
Director	Chen, Ping-Huang	9	0	100%	
Director	Kuo, Chi-Kang	8	0	88.89%	
Independent Director	Lin, Yao-Chuan	9	0	100%	
Independent Director	Kao, Cheng-Shang	9	0	100%	
Independent Director	Lee, Su-Chen	9	0	100%	

Other Disclosure:

1. The date of board meeting, session, content of the proposal, the opinions of all independent directors and the Company's response to the opinions of independent directors shall be recorded if any of the following circumstances occurs:

(1) Matters stipulated in Article 14-3 of the Securities and Exchange Law

Date	The 19 <sup>th</sup> Board of Directors	Contents of Motion	Independent Directors' Opinion	The Company's Response to the Independent Directors' Opinion
4 Feb 2020	The 15 <sup>th</sup> Meeting	Discussion on the adjustments of the funds lent to the subsidiaries	Approved	None
27 March 2020	The 16 <sup>th</sup> Meeting	1. To report 2019 Financial Statements. 2. Proposal to resolute on the remuneration for employees and directors. 3. Proposal to allocate funds to cover the loss in 2019. 4. Proposal to amend certain articles in the Articles of Incorporation 5. Proposal to resolute on amendment of certain articles in the Rules of Procedure for Board of Directors Meetings. 6. Proposal to resolute on amendment of certain articles in the "Proposals for Repurchasing Li Peng Common Shares for Transferring Shares to Employees" 7. Proposal to resolute on "Procedures for Lending Funds to Affiliated Companies". 8. Proposal to resolute on the adjustments of the funds lent to the subsidiaries.	Approved	None
13 April 2020	The 17 <sup>th</sup> Meeting	Proposal to resolute on acquisition or disposal of the assets of subsidiaries	Approved	None

Date	The 19 <sup>th</sup> Board of Directors	Contents of Motion	Independent Directors' Opinion	The Company's Response to the Independent Directors' Opinion
30 April 2020	The 18 <sup>th</sup> Meeting	1. Proposal for the 2019 Business Report. 2. Proposal to resolute on borrowing loans from subsidiaries.	Approved	None
29 May 2020	The 19 <sup>th</sup> Meeting	1. Proposal on participating in cash injection of affiliated companies. 2. Proposal to resolute on the adjustments and changes in the conditions of the lending contract and the amount lent to the subsidiaries.	Approved	None
29 July 2020	The 20 <sup>th</sup> Meeting	1. Proposal on funds lent to subsidiaries. 2. Proposal on the fund of subsidiaries lent to others.	Approved	None
28 Oct 2020	The 21 <sup>th</sup> Meeting	1. Proposal on adjustment of directors' remuneration. 2. Proposal to formulate "Rules for Performance Evaluation of Board of Directors".	Approved	None
10 Nov 2020	The 22 <sup>nd</sup> Meeting	The subsidiary of the Company lends loan to LEALEA Enterprise Co., LTD.	Approved	None
28 Dec 2020	The 23 <sup>rd</sup> Meeting	1. Proposal on resolution of Internal Audit Plan for 2021 2. Proposal on resolution of Business Plan for 2021	Approved	None

(2) Other resolutions arising from the foregoing matters against or on which any of the Independent Directors has Objections or reservations, whose objections or reservations have been recorded or declared in writing: No objection or reservation on all proposals.

2. If there are directors' recusal of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors:

Evaluation Cycle	Assessment Period	Scope of Evaluation	Evaluation Method	Evaluation Items
Once a year	From 1st Jan 2020 to 31 Dec 2020	Board of Directors	Self-Assessment Questionnaire on Board of Director Performance	1. Level of participation in company operation. 2. Improving the quality of Board decisions. 3. Board composition and structure. 4. Appointment of directors and their continuing education, 5. Internal Controls
		Directors	Self-Assessment Questionnaire of on Board of Directors Performance	1. Grasp of company targets and missions 2. Understanding of the director's role and responsibilities 3. Level of participation in company operations 4. Internal relationship management and communication 5. Director's specialty and continued development, 6. Internal Control

Evaluation Cycle	Assessment Period	Scope of Evaluation	Evaluation Method	Evaluation Items
		Functional Committees (Audit Committee/ Remuneration Committee)	Self-Assessment Questionnaire on Functional Committees' Performance	1. Level of participation in company operation. 2. Understanding of the responsibilities of functional committees 3. Improvement of the decision-making quality of functional committee 4. Composition of functional committee and member selection 5. Internal Control

4. The objectives (such as setting of an audit committee and improvement of information transparency etc.) of strengthening the functionality of the Board of Directors for the present year and recent years and assessment on the implementation:

(1) Every important resolution made by the Board of Directors will be published in the Company's website. The Company also insures all the Directors with liability insurance to increase information transparency of company's operation and at the same time to protect shareholders equity. The Company also set up Audit Committee to assist the Board of Directors to fulfil supervision duty.

(2) In order to carry out corporate governance and enhance the functions of board of directors, the Company establishes the performance targets for the Directors to improve their operation efficiency. Pursuant to the Company's "Rules for Performance Evaluation of Board of Directors", the internal performance appraisal of the Board of Directors and the Functional Committees should be conducted by the end of the 1st quarter each year.

#### 4.2 Audit Committee

A total of **8 Audit Committee meetings (A)** were held in the most recent year. The attendance of the Independent Directors was as follows:

Job Title	Name	Attendance in Person (B)	By Proxy	Rate of Attendance (%) (B / A) (Note)	Remarks
Independent Director	Lin, Yao-Chuan	8	0	100%	
	Kao, Cheng-Shang	8	0	100%	
	Lee, Su-Chin	8	0	100%	

Other Mentionable items:

- The Company establishes "Audit Committee" to replace the duties and annual job items of Supervisors on 10 June 2015.
  - Adoption or amendment of an internal control system pursuant to Article 14-1, Securities and Exchange Act.
  - Assessment of operating effectiveness of the internal control system
  - Adoption or amendment, pursuant to Article 36-1, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
  - A matter bearing on the personal interest of a director.
  - A material asset or derivatives transaction.
  - A material monetary loan, endorsement, or provision of guarantee.
  - The offering, issuance, or private placement of any equity-type securities.
  - The hiring or dismissal of an attesting CPA, or the compensation given thereto.
  - The appointment or discharge of a financial, accounting, or internal auditing officer.
  - Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
  - Any other material matter so required by the company or the Competent Authority.

◎ Review of Financial Statements

The Board has prepared the 2020 financial statements. They were audited by the CPAs from Deloitte & Touche with the issuance of the Auditor's Report. The Auditor Committee has reviewed the aforementioned Auditor's Report, business report, financial statements, and loss off-set proposal, which were appropriately prepared.

◎ Assessment of operating effectiveness of the internal control system

The Company has completed the self-assessment of internal control system operation for the year 2020. A report based on the self-assessment has been issued and approved by the Audit Committee and proposed to the Board of Directors' Meeting for review and resolution.

2. The date, session, proposal content of the Board meeting, resolution of the Audit Committee and how the Company deals with the Audit Committee's opinions shall be clarified if any of the following circumstances occurs in the operations of the Audit Committee.

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

Date	The 19 <sup>th</sup> Audit Committee	Proposal Content	Opinion of Audit Committee	Resolution to Opinion of Audit Committee
4 February 2020	The 15 <sup>th</sup> Meeting	Discussion on the adjustments of the funds lent to the subsidiaries	Approved	None
27 March 2020	The 16 <sup>th</sup> Meeting	1. Proposal to report 2019 Financial Statements. 2. Proposal to report 2019 Loss Off-set Plan. 3. Proposal to report the "2019 Declaration of Internal Control System." 4. Proposal to amend certain articles in the Articles of Incorporation. 5. Proposal to lend funds to affiliated companies. 6. Proposal to adjust funds lent to subsidiaries.	Approved	None
13 April 2020	The 17 <sup>th</sup> Meeting	Proposal for the Company's Procedures Governing the Acquisition or Disposal of Assets.	Approved	None
30 April 2020	The 18 <sup>th</sup> Meeting	Proposal for the 2019 Business Plan.	Approved	None
29 May 2020	The 19 <sup>th</sup> Meeting	1. Proposal for participating in cash injection of affiliated companies. 2. Proposal for adjusting the amount and conditions of loans.	Approved	None
29 July 2020	The 20 <sup>th</sup> Meeting	1. Proposal for the loans lent to subsidiaries. 2. Proposals for the funds of subsidiaries lent to others	Approved	None
10 Nov 2020	The 22 <sup>th</sup> Meeting	Proposals for the funds of subsidiaries lent to others	Approved	None
28 December 2020	The 23 <sup>th</sup> Meeting	1. Proposal to make the audit plan for 2021. 2. Proposal to make the Company's Business Plan for 2021.	Approved	None

(2) Matters other than the foregoing matters that have been approved by 2/3 of all Directors but not approved by the Audit Committee: None.

3. If there are Independent Directors' recusal of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Name of the recuse member	Proposal Content	Reason of the recusal	Voting Status
28 Oct 2020	Lin, Yao-Chuan Kao, Cheng-Shang Lee, Su-Chin	Proposal to adjust director's remuneration	The Chairman proposes to amend the remuneration to the Independent Directors, and the Board of Directors vote to resolute on the proposal.	Except for the 3 Independent Directors, recused due to conflict of interest, all presenting Directors approved the amendment proposal.

4. Communications between the Independent Directors, the Company's Chief Internal auditor, and Certified Public Accountants (CPAs) (The description should include the matters, manners and results of communications on the Company's financial and business status.)

In response to the COVID-19 pandemic, communication will be made by mails, writing or telephone during the epidemic prevention period.

Date	Communication Status between Internal Audit officer and between CPAs	Independent Directors' Opinion	Communication Results
30 March 2020	<p>With CPAs:</p> <p>(1) To conduct an audit on the important component entities and non-important component entities</p> <p>(2) Major audit adjustment: There is no major accounting entry adjustment this year.</p> <p>(3) Key audit matter: Authenticity of sales revenue</p> <p>(4) Audit conclusion: The CPAs believe they have obtained sufficient and appropriate audit evidence to provide a basis for their opinion. The CPAs have obtained reasonable assurance that the financial statements are free of material misstatement.</p> <p>With Audit Officer</p> <p>(1) Following up the improvement actions for 2019.</p> <p>(2) To discuss the 1<sup>st</sup> quarter Audit operation in 2020.</p> <p>(3) To discuss the efficiency assessment of internal control operation.</p>	No Objection	Not applicable
20 January 2021	<p>With CPAs: (2020 Annual Audit Planning Stage)</p> <p>(1) Responsibilities of the Governance Units: Duties of the Board of Directors/Audit Committee and improve their abilities to prepare financial statements.</p> <p>(2) Audit scope and method: Based on Rules Governing Auditing and Certification of Financial Statements by CPA, and Generally Accepted Auditing Standards for Planning and Execution to obtain assurance that the financial statements are free of material misstatement.</p> <p>(3) Major amount.</p> <p>(4) Group Audit: To form an individual unit and use the individual to conduct the audit work.</p> <p>(5) Material accounting policy, material accounting estimate, and material incidents and trading.</p> <p>(6) Key Audit Items: Sales revenue grows in relation to selling of goods, signifying that customer purchasing goods actually exist.</p> <p>(7) Impact of COVID-19 and responsive actions.</p> <p>(8) Considerations of Legal Compliance.</p> <p>(9) Other communication matters.</p> <p>With Audit Officer:</p> <p>(1) Following up the improvement actions for 2020.</p> <p>(2) To discuss the design and execution of internal control operation system of 2020.</p> <p>(3) To discuss the 1<sup>st</sup> quarter Audit operation for 2021.</p>	No Objection	Not Applicable
31 March 2021	<p>With CPAs: (2020 Annual Audit Completion Stage)</p> <p>(1) Responsibilities of the Governance Units.</p> <p>(2) Audit scope and method.</p> <p>(3) Material amount- no amendment required.</p> <p>(4) Group Audit.</p> <p>(5) Material accounting policy, material accounting estimate, and material incidents and trading.</p> <p>(6) Material audit item- no significant abnormality was found; everything is consider reasonable.</p> <p>With Audit Officer</p> <p>Discussion on the 2<sup>nd</sup> quarter audit operation report for the year 2021.</p>	No Objection	Not Applicable



#### 4.3 Corporate Governance Implementation Status, Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, and Reasons of Deviations

Evaluation Item	Implementation Status			Deviations from “the corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company established and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?”	✓		We have established the “Corporate Governance Best Practice Principles”, and it is publicly announced on our company website and the Market Observation Post System.	None
2. Shareholding structure & shareholders’ rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?  (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?  (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Dose the company establish internal rules against insiders trading with undisclosed information?	✓		(1) The Company has appointed a spokesperson and an acting spokesperson to represent the Company and make statements. Along with the assistance from the Stock Affair Agent and Legal Department, the spokespersons are able to handle shareholders’ suggestions, doubts, disputes, litigations, etc. (2) Stock Affair Department and appointed Stock Affair Agent have the list of major shareholders and who ultimately controls them disclose this information pursuant to the laws. (3) Risk management and firewall system have been established in the internal control system. (4) The Company has formulated the “Operating Procedures for the Prevention of Inside Trading”.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?		✓	(1) The Company has set “Corporate Governance Best Practice Principles” to ensure board members’ competency and diversity. In addition, it has been expressly stipulated in the Articles of Incorporation that the election of the directors (including Independent Directors) should adopt the candidates nomination system. In electing directors, not only professionalism is taken into consideration, but diversification is also an important factor. At present, there are 9 Directors, including 3 Independent Directors. Among these 9 directors, 2 are female; 3 are the employees of the Company. All of the Independent Directors has been in the positions for more than 4 years. One	Measures will be taken if there are actual demands or if it is required by laws and regulations.

Evaluation Item	Implementation Status			Deviations from “the corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish standards and method for evaluation Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>			<p>Director is more than 70 years old; another six Directors are between 50 to 69 years old. The rest 2 Directors are below 40s’.</p> <p>(2) No.</p> <p>(3) We have established “Internal Performance Evaluation of the Board of Directors” and evaluation methods. The Remuneration Committee will review the evaluation results of the Board, and the Remuneration Committee will also go through the policy, system, standards, and structure of the payroll. It will then provide suggestions to the Board for discussion and resolution.</p> <p>(4) We review and evaluate the expertise, competence, and independence of certified accountants at least once a year to ensure there is no conflict of interest, or kinship involved. We also obtain the “Declaration of Impartiality” of the CPA issued by the CPA office and submit it for review and approval by the Board of Directors. The financial statements and tax reports of 2021 have been approved in the Board of Directors’ Meeting on 27 Jan 2021.</p>	
<p>4. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?</p>		✓	<p>The Stock Affair Department is responsible for providing information, assisting regulatory compliance, and handling all the matters relating to Board of Directors and Shareholders’ meetings.</p>	<p>Measures will be taken if there are actual demands or if it is required by laws and regulations.</p>

Evaluation Item	Implementation Status			Deviations from “the corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. Whether the company has established communication channels with its interested parties (including but not limited to shareholders, employees, clients and suppliers) and set up an “interested parties section” on the corporate website, and properly responded on significant topics of corporate social responsibilities with which the interested parties are concerned.	✓		The Company has set up a stakeholder area page with contact information in the company website. By doing so, we are able to link different topics of concerns with relevant departments for better communication and satisfactory response.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		Appointing “Taishin International Bank, Stock Affairs Agent Department” to handle matters related to shareholder services.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?  (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?  (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	(1) The Company has set up our corporate website, which will be updated from time to time, and which is also connected to the Market Observation Post System for more information. (2) The Company has designated specific person to be responsible for collecting and disclosing relevant information. The Company also establishes the Spokesperson system to make statements on the Company’s behalf. All the information regarding Investor Conference is uploaded and disclosed on the Company’s website from time to time. (3) The Company announced and reported the 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> financial statements and monthly revenues within the prescribed deadlines.	Due to the quantity of subsidiary and related companies, the Company is unable to announce and report the annual financial statements earlier than the prescribed timeline.
8. Does the Company have other important information for better understanding the Company’s corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company’s directors and supervisors)?	✓		1. The Company attaches great importance to create harmonious labour relations. We continuously improve the welfare of employees and the safety & quality of the working environment, including better staff meals, annual staff travel, health examines, bonus, subsidies for weddings, funerals, education, etc. We also buy group insurance for our employees to provide them with better protection. 2. Through holding investor conference, and by attending the investment meetings held by securities houses, the Company is able to communicate with investors and delivers	None

Evaluation Item	Implementation Status			Deviations from “the corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>the feedbacks to the top management and related departments for improvement. The Company also established an area of “Corporate Governance” in the website as an access point for stakeholders to understand our internal control system and various operation procedures.</p> <p>3. Regarding our purchase policy with suppliers, our prior concerns are environmental protection, energy saving, and quality control. Pricing is not the only determining factor.</p> <p>4. In addition to providing high quality products, the Company actively carries out manufacturing quality control, environmental protection, and factory safety &amp; health management, which have been qualified with international certifications.</p> <p>5. The Company insures the Directors, Supervisors, and important staff with liability insurance. The sum insured is as high as USD6 million.</p>	
<p>9. Please explain on the basis of the results of corporate governance assessment announced by the TWSE Corporate Governance centre in the most recent year the items that have been improved, and advise the matters and measurements to be strengthened with priority as to the items that have not been improved.</p> <p>(1) Improvement made for 2020: The Company’s website has included “Corporate Governance” Area to provide access for stakeholders to understand the Company’s operation principles and systems.</p> <p>(2) For the items to be improved, we have proposed prioritized measures and plans: The principle is to make improvements without increasing operational cost while complying with the laws and regulations.</p>				

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

##### 1. Information of the Committee Members

Status	Criteria Name	Meets one of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of other public companies in which the individual is concurrently serving as a remuneration committee member	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	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lin, Yao-Chun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Kao, Chen-shan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Lee, Su-Ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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 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 the Remuneration Committee

(1) There are 3 members in the Remuneration Committee.

(2) The term of the current Committee members: From 12 June 2018 to 11 June 2021.

A total of **2 Remuneration Committee meetings** were held in the most recent year. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Rate of Attendance (%) (B/A) (Note)	Remarks
Convener	Lin, Yao-Chun	2	0	100%	
Committee Member	Kao, Chen-shan	2	0	100%	
Committee Member	Lee, Su-Ching	2	0	100%	

Other mentionable items:

1. Scope of Responsibility

(1) To establish and review performance assessment of Directors and managers, and remuneration policy, system, standards, and structure.

(2) To establish and review remuneration paid to Directors and managerial officers.

2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

3. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions, and the response to members' opinion should be specified:

Date	The 4 <sup>th</sup> Remuneration Committee	Proposal Content	Resolution of Remuneration Committee	Response of the Company to the opinions of the Remuneration Committee
27 March 2020	The 9 <sup>th</sup> Meeting	To amend some articles in the "Proposals for Repurchasing Li Peng Common Shares for Transferring Shares to Employees"	Approved	None
28 Oct 2020	The 10 <sup>th</sup> Meeting	To adjust Directors' remuneration	Approved	None

**4.5 Fulfillment of Social Responsibility and Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons.**

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Explanation in Brief	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		Every quarter, in the management meeting, the Company will hold discussion on the operational topics such as environment protection, social responsibilities, and corporate governance, and will implement the management measures after reaching conclusion.	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		✓	None	Measures will be taken if there are actual demands or if it is required by laws and regulations.
3. Environmental Issue (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The Company has established and implemented appropriate environmental management system, and obtained ISO14001 certification. (2) A. The Company has established automatic control system to cope with onsite actual demand to automatically adjust utility supply and reduce electricity and carbon emission. B. To recycle used steam as thermal energy to reduce use of heavy oil and coal. C. Our plants have installed solar photovoltaic system to reduce carbon emission and help lower the risk of global warming. D. By reclamation of wastewater and adoption of acid-base neutralization, we are able to reduce the use of consumables. E. We manufacture coloured filament which is free of dyeing after weaving to replace the yarns that still need dyeing process. This new type of filament has reduced wastewater required in the dyeing process. In addition, the innovative polyester filament is processed and finished under low temperature, at about 95~98 Celsius degree. This is to change traditional high temperature dyeing and finishing process, which enables energy saving. F. We actively recycled scraped yarns to put in reproduction and have obtained GRS certification (Global Recycle Standard). For cartons, paper tubes,	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Explanation in Brief	
<p>(3) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to deal with climate-related issues?</p> <p>(4) Does the company keep track of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</p>			<p>and waste materials, we put extra effort on recycling to cut down wasting resources.</p> <p>G. We have obtained ISO50001 Energy Management System Certification, and we are also one of the members of ZDHC organization (Zero Discharge of Hazardous Chemicals).</p> <p>(3) A. The Company has cooperated with the government in its project “Voluntary Greenhouse Gas Reduction Program”, promoted by Industrial Development Bureau, Ministry of Economic Affairs.</p> <p>B. We have reduced greenhouse gas emission intensity in the hope to obtain the upfront reduction allowance quota of the special project granted by the Environmental Protection Administration.</p> <p>C. We will negotiate with the government to take our emission reduction achievement into consideration for future emission quota references.</p> <p>D. We have introduced ISO14064 to conduct greenhouse gas inventory check and to report in compliance with regulatory requirements.</p> <p>(4) We have calculated and declared, as required by laws and regulations, the total amount of greenhouse gas emission, water consumption, and waste material. In addition, we have periodically reviewed the above-mentioned amount and methods of reducing them.</p>	
<p>4. Social Issue</p> <p>(1) Has the Company set up management policies and procedures according to related laws and regulations as well as the International Bill of Human Rights?</p> <p>(2) Has the Company established and adopted reasonable employee welfare measures (e.g. bonuses and salaries, leaves, ad other</p>	✓		<p>(1) The Company establishes internal systems based on the Labour Standards Law to protect our employee’s legal rights. We comply with labour related regulations and respect internationally recognized basic labour rights. We have established relevant management policies and procedures to protect the legal rights of our employees, and there is no differential treatment in employment policies; employees are not discriminated against on the basis of gender, race, marriage, religion and other factors. There is no incident of forced or compulsory labour, nor violation of aboriginal rights, nor violation of employees' interests, etc.</p> <p>(2) The Company has established work rules and related personnel management rules, which include basic wages for hiring</p>	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Explanation in Brief	
benefits), and had employee bonuses and salaries adequately reflect its operation performance or results?			workers, working hours, vacations, bonus, pensions, labour & health insurance, compensation for occupational accidents, etc, which are all in line with Labour Standards Law. The Organization of Employee Welfare Committee is operated through the election of employees to handle various welfare matters. The Company also purchases group insurance to give better protection for the employees. In addition, it is stipulated in the Articles of Incorporation that if the Company is profitable in the fiscal year, no less than 2% of the annual profit shall be allocated as employee compensation to share the operating results with our employees.	
(3) Has the Company offered a safe and healthy work environment and routinely implements safety and health education for its employees?			(3) The Company conducts regular drinking water, noise, fire inspections, and employee annual health check-up. As for hazardous equipment, we install protective devices, erect hazardous displays, draft standard operation manuals and prepare personal safety protection appliances. Through our morning announcement and Five-Zero campaigns, the Company is stargazing countermeasures to prevent occupational disasters. In order to enhance employees’ understanding and prevention of accident & disaster control, the Company conducts Safety and Health Educational Training. This is to improve a safety and health working environment. We have obtained OHSAS 45001 Occupational Health and Safety Certification. In 2020, we held the internal environment safety and health training for 280 hours for our employees. We also sponsored employees for 20 some external training courses in related subjects with a total amount about NTD240,000.	
(4) Has the Company established an effective career developmental plan for its employees?			(4) The biggest training activity of the year is the management trainee’s training. All employees of grade 4 or above are invited to participate in the two-day and one-night external training. The course content is planned in series and is consistent with the previous year's content. It is also designed to match the trends of recent years for our employees to keep up with the latest skills and knowledge.	
(5) Has the Company had a supplier management policy and required all its suppliers be compliant with laws and regulations on environmental protection, occupational safety & health, and labor			(5) The Company has obtained ISO9001 certification and Oeko-Tex Standard 100 certification to prove that our products are free from hazardous substances to human health. Regarding product and service	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Explanation in Brief	
rights and verified their compliance?  (6) Has the Company had a supplier management policy and required all its suppliers be compliant with laws and regulations on environmental protection, occupational safety & health, and labor rights and verified their compliance?			marketing and labelling requirements, we complied with related regulations and international standards. Considering customer privacy, we observe the confidentiality agreement and the personal data protection laws with designated customer service department and stakeholder area to protect consumer rights and serve as a communication channel.  (6) The Company has established the “Green Supply Chain System”, requiring all our suppliers to provide the proofs of legally accredited certificates to enhance our social responsibility of the overall supply chain.	
5. Does the Company compile a CSR report in accordance with international reporting standards for disclosure of non-financial information? Is the report externally accredited or assured by an independent third party?		✓	We have referred to certain internationally accepted standards or guidelines for the preparation of corporate social responsibility report and other non-financial related reports. All these reports are not certified or guaranteed by any opinions of a third party.	Measures will be taken if there are actual demands or if it is required by laws and regulations.
6. If the Company has set up the principle based on “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies”, please illustrate the implementation progress and any difference between the prescribed best practices and actual implementations taken by the Company:  The Company has set up “Corporate Social Responsibility Best-Practice Principles” and we have been fulfilling its corporate social responsibilities for over 40 years. In the future, the Company shall continue to fulfil and implement our corporate social responsibilities.				
7. Please state any other important information that would facilitate better understanding of the Company’s status in fulfilling corporate social responsibilities:  The Company places great importance to environmental protection, labor safety and employee welfare, and has long been actively involved in social welfare. This year, we have donated and sponsored the following organizations, and we have also prepared a CSR report, please refer to the report for the operation.				
Year	Organizations Received Donations			Total NTD1000
2020	1. The Presbyterian Church in Taiwan 2. Taiwan Silk & Filament Weaving Industrial Web 3. Touzhou Community 4. Parents’ Association of Erlin Elementary School (in total 14 Parents’ Associations of Elementary Schools received donations) 5. National Erh-Lin Industrial & Commercial Vocational High School (In total 17 Schools received donations) 6. Putian Temple Management Committee, Fang Yuan Township, Changhua County 7. Huashan Social Welfare Foundation 8. Friends of Changhua County Police Association 9. Changhwa love and care Association 10. Changhua County Volunteer Police Fang Yuan Squadron 11. Chang Hwa County Erlin Volunteer Fire Prevention Team 12. Corporation Changhua County Joyce-Polio Care Association 13. Lee-Ming Institute of Technology			695

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

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>1. Stipulating policies and plans for ethical corporate management</p> <p>(1) Has the Company established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors, and clearly stipulated regulations and policies for ethical business conduct and relevant guidelines in company articles and external documents? Does the Company's Directors and management team actively fulfil their commitment to corporate policies?</p> <p>(2) Has the Company established a risk assessment mechanism against unethical conduct, regularly analysed business activities within their business scope which are at a higher risk of being involved in unethical conduct? Does the company establish prevention programs accordingly including measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct, punitive measures for violations and appeal systems within the said plan? Did the action plans be implemented accordingly?</p>	✓		<p>(1) The Company has formulated “Ethical Corporate Management Best Practice Principles” and has been approved by the Board of Directors. In the Principles, Article 5, 6, &amp; 8 clearly stipulate integrity management policy, practice, and commitment.</p> <p>(2) The Company has formulated “Working Rules”, “Code of Ethical Conduct”, “Ethical Corporate Management Best Practice Principles”, “Operating Procedures for the Prevention of Inside Trading”, and various other management principles. These are important educational training tools to link employees closely together with Company's determination, policy, and prevention measures, as well as making people understand the consequences of violating the rules.</p> <p>(3) In the new recruits orientation training, there are legal documentations for new employees to sign: “Notes for Employees”, “Employment Contract”, “Employee Guarantor Policy”, and articles requesting employee agreeing if violating their commitment to the Company, in addition to receiving the legal trial, they are also subject to pay back the financial losses to the Company. All these legal rights and obligations will be updated and giving training periodically by the Company to the employees after they are reporting to corresponding posts.</p>	No Deviation
<p>2. Implementing ethical corporate management</p> <p>(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?</p> <p>(2) Has the Company designated exclusively (or concurrently) dedicated unit reports its ethical business management policy, action plans to prevent unethical conduct, and implementation status of supervisory measures to the Board of Directors?</p>		✓	<p>(1) Irregular review the transactions between customers and subcontractors. If any abnormal transactions are found, we will stop the cooperation and contracts.</p> <p>(2) No.</p>	Measures will be taken if there are actual demands or if it is required by laws and regulations.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Did internal auditors establish relevant audit plan to verify the status of compliance with unethical conduct prevention action plans based on the result of risk assessment on unethical conduct? Did the Company entrust audits to a CPA?</p> <p>(5) Does the Company regularly organize internal and external training for ethical corporate management?</p>			<p>(3) Any of the proposals in the Board of Director meetings involving interest recusal, the principle of recusal is complied. Employees may report violations and fill petition directly to the relevant supervisor or the auditing unit of the Board of Directors.</p> <p>(4) A. The Company has prudential accounting system and appoints a specific accounting department. All the financial reports have been reviewed and audited by CPAs to ensure the fairness of the financial statements. B. The Company has established effective internal audit system, self-audit system, legal compliance system, and risk management mechanism to maintain effective and appropriate internal operational system. In addition, each year, we appoint external CPAs to hold an internal control audit system review.</p> <p>(5) No.</p>	
<p>3. Status for enforcing whistle-blowing systems in the Company</p> <p>(1) Has the Company established concrete whistle-blowing and reward systems as well as accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?</p> <p>(2) Has the Company established standard operating procedures (SOP) for whistleblowing cases, follow-up measures and relevant systems of confidentiality after the investigation?</p> <p>(3) Has the Company adopted protection measures against inappropriate disciplinary actions for the whistle-blower?</p>			<p>(1) Employees may submit suggestions or complaints in writing, verbally, by telephone or by e-mail to the head of the management department or to a trusted supervisor at any level.</p> <p>(2) After the former supervisor accepts the employee's suggestion or complaint, he/she will immediately report it to the President and the President will designate someone to handle it. The designated staff will handle any serious cases as soon as possible with confidentiality.</p> <p>(3) If a complaint is investigated and found to be inappropriate or suspected of being illegal, the staff who is neglected of his/her duty shall be penalized pursuant to the relevant company rules and regulations or shall be held legally responsible in accordance with the relevant laws and regulations, and the person who made the complaint shall be protected in his/her identity and privacy.</p>	No Deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
4. Improvement of information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The ethical corporate management policies and the results of its implementation are disclosed on the Company's website and MOPS.	No Deviation
5. If the Company has established the Code of Ethics and Business Conduct based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any deviations between the Code of Ethics and Business Conduct and their implementations: No deviation.				
6. Other information helpful for understanding the principle of integrity of the Company's operations (e.g., the Company's amendment of its principles of integrity): None				

#### 4.7 Other Company-established corporate governance rules and regulations

Please refer to the Company's website (<http://www.lipeng.com.tw>) for the Company's Corporate Governance Code of Practice or log on to the Market Observation Post System website for more information.

#### 4.8 Other important Corporate Governance information that may be disclosed to enhance understanding of corporate governance operations

##### 1. Policy of Board Member Diversification and Implementation

The Company has set "Corporate Governance Best Practice Principles" to ensure board members' competency and diversity. In addition, it has been expressly stipulated in the Articles of Incorporation that the election of the directors (including Independent Directors) should adopt the candidates nomination system. In electing directors, not only professionalism is taken into consideration, but diversity is also an important factor. At present, there are 9 Directors, including 3 Independent Directors. Among these 9 directors, 2 are women; 3 are the employees of the Company. All Independent Directors has been in their role for over 4 years. One Director over 70 years of age; six are between 50 to 69 years old. The remaining two are below 40s'.

The Professions of the Board members includes business management, legal studies, accounting & finance, public health, etc. Some of our Directors are enterprise owners, practicing lawyers; others own double masters' degree at Yale University, USA. The Board members have accumulated the experience required by the Company and are able provide professional opinions from different perspectives. Therefore, the Board's contribution is tremendous.

##### Professionalism of Board Members

Job Title	Name	Gender	Business Management	Leadership Decision Making	Finance Accounting	Industry Knowledge	Legal Studies	Internationalization
President	Kuo, Shao-Yi	Male	✓	✓	✓	✓		✓
Director	Kuo, Shu-Chen	Female	✓	✓	✓	✓		✓
Director	Chen, Ping-Huang	Male	✓	✓		✓		✓
Director	Tung, Min-Hsiung	Male	✓	✓		✓		✓
Director	Kuo, Chi-Kang	Male	✓	✓				✓
Director	Kuo, Ko-Chung	Male	✓	✓				✓
Independent Director	Lin, Yao-Chuan	Male	✓	✓			✓	✓
Independent Director	Kao, Cheng-Shang	Male	✓	✓			✓	✓
Independent Director	Lee, Su-Chin	Female	✓	✓	✓			✓

## 2. Evaluation of CPA's Independence and Suitability for the Year 2020:

The evaluation form is made by referring to Article 47 of the Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant of R.O.C. No. 10, "Integrity, Objectivity, and Independence."

Evaluation Item	Evaluation Result
1. There is no direct or material indirect financial interest between the CPAs and the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. There is no significant close business relationship between the CPAs the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3. There is no potential employment relationship at the time of the audit of the Company by the CPAs.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4. The CPAs have not involved in monetary borrowing matters with the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5. The CPAs have not received any present of significant value from the Company or the Company's directors and supervisors (the value of which exceeds normal social etiquette standards)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. The CPAs have not provided audit services to the Company for seven consecutive years.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
7. The CPAs do not have the shares of the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8. The CPAs, their spouses or dependents, or their audit team did not hold any position as a director, manager, or officer of the Company during the audit period or within the last two years that has materially affected the audit, and has determined that they will not hold any such position during future audits.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
9. If the CPAs have met the standards stipulated in the Professional Ethics for Certified Public Accountant, No. 10, and obtained the Declaration of Independence "issued by the CPA's office.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

#### 4.9 The implementation status of the internal control system should disclose the following matters

##### 1. The statement of Internal Control Systems

### Li Peng Enterprise Co., LTD. Statement of Internal Control Systems

Date: 29 March 2021

The Company states the following with regard to its internal control system in 2020, based on the findings of a self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communications 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that on December 31, 2020 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance of reporting, and compliance with applicable laws, regulations, and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on March 29, 2021 where 0 of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Li Peng Enterprise Co., LTD.

Chairman: Kao Shao-Yi

President: Kao Shao-Yi

2. If the Company appointed a CPA to review the internal control system, the accountant's review report should be disclosed: None.

**4.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.**

**4.11 Major resolutions reached in the Shareholders' Meeting and Board meeting in recent fiscal year and as of the publication date of the annual report.**

Key Resolutions made by Shareholders' Meeting in 2020 and Status of Implementation:

1. Approved 2019 Annual Business Report and Financial Statements

Implementation Status: Passed by the resolution of the Annual General Meeting

2. Approved the Loss Off-set Plan for the year 2019.

Implementation Status: Passed by the resolution of the Annual General Meeting

3. Approved amendment of certain articles in the Articles of Incorporation

Implementation Status: Passed by the resolution of the Annual General Meeting, and registration was granted by the competent authority on July 6, 2020.

Important Resolutions by the Board of Director

Date	The 19 <sup>th</sup> Board of Directors	Contents of Motions	Independent Directors' Opinion	The Company's Response to the Independent Directors' Opinion
4 February 2020	The 15 <sup>th</sup> Meeting	Discussion on the adjustments of the funds lent to the subsidiaries	Approved	None
27 March 2020	The 16 <sup>th</sup> Meeting	1. To report 2019 Financial Statements. 2. Proposal to resolute on the remuneration for employees and directors. 3. Proposal to allocate funds to cover the loss in 2019. 4. Proposal to Approve the Internal Control System Statement for the Year of 2019. 5. Proposal to amend certain articles in the Articles of Incorporation 6. Proposal to resolute on amendment of certain articles in the Rules of Procedure for Board of Directors Meetings. 7. Proposal to resolute on amendment of certain articles in the "Proposals for Repurchasing Li Peng Common Shares for Transferring Shares to Employees" 8. Proposal to formulate matters related to convening the Company's annual General Meeting in 2020. 9. Proposal to resolute on "Procedures for Lending Funds to Affiliated Companies". 10. Proposal to resolute on the adjustments of the funds lent to the subsidiaries.	Approved	None
13 April 2020	The 17 <sup>th</sup> Meeting	Proposal to resolute on acquisition or disposal of the assets.	Approved	None
30 April 2020	The 18 <sup>th</sup> Meeting	1. Proposal for the 2019 Business Report. 2. Proposal to resolute on borrowing loans from 5 subsidiaries.	Approved	None
29 May 2020	The 19 <sup>th</sup> Meeting	1. Proposal on participating in cash injection of affiliated companies. 2. Proposal to resolute on the adjustments and changes in the conditions of the lending contract and the amount lent to the subsidiaries.	Approved	None



Date	The 19 <sup>th</sup> Board of Directors	Contents of Motions	Independent Directors' Opinion	The Company's Response to the Independent Directors' Opinion
29 July 2020	The 20 <sup>th</sup> Meeting	1. Proposal on funds lent to subsidiaries. 2. Proposal on the fund of subsidiaries lent to others.	Approved	None
28 October 2020	The 21 <sup>th</sup> Meeting	1. Proposal on adjustment of directors' remuneration. 2. Proposal to formulate "Corporate Governance Best Practice Principles". 3. Proposal to formulate "Ethical Corporate Management Best Practice Principles". 4. Proposal to formulate "Rules for Performance Evaluation of Board of Directors".	Approved	None
10 November 2020	The 22 <sup>nd</sup> Meeting	Proposal for resolution on LEALEA Enterprise borrowed money from the subsidiary of the Company.	Approved	None
28 Dec. 2020	The 23 <sup>rd</sup> Meeting	1. Proposal to formulate and approve the audit plan for the year 2021. 2. Proposal to formulate and approve the business operation plan for the year of 2021.	Approved	None
27 January 2021	The 24 <sup>rd</sup> Meeting	1. Report on Allocation of Remuneration to Board of Directors and Employees. 2. The bonus base and calculation method. 3. Appointment of a 2021-year visa accountant. 4. 2021 new managers' salary and remuneration case. 5. Proposal on funds lent to Subsidiaries. 6. Proposal on funds lent to Sun Company.	Approved	None
29 March 2021	The 25 <sup>rd</sup> Meeting	1. The 2020 business reports and financial statements. 2. Report on Allocation of Remuneration to Board of Directors and Employees. 3. The 2020 proposals for surplus distribution or loss allowances. 4. Proposal to Approve the Internal Control System Statement for the Year of 2020. 5. Amendment to "Article of association" 6. Amendment to "Rules of Procedure for Shareholders Meetings" 7. Re-election of directors 8. Removal of Non-Competition Restriction Against the Board of Directors and representatives. 9. To convene the General Shareholders Meeting of 2021. 10. Proposal on funds lent to Subsidiaries.	Approved	None

**4.12 The objections of the directors or supervisors against the major resolutions reached in the Board meeting recorded or documented in writing in the most recent fiscal year and as of the publication date of the annual report:** None

**4.13 Table of resignation and dismissal of the staff relating to the personnel of financial reporting in the most recent fiscal year and as of the publication date of the annual report:** None.

## 5. Information on CPA professional fees

### 5.1 Information on Auditing Fees

Unit: NTD1000

Accounting Firm	Name of CPAs	Audit Fee	Non-Audit Fee					Period Covered by CPA's Audit	Remarks
			System Design	Industrial and commercial registration	Human Resources	Other	Subtotal		
Deloitte & Touches	Wu,Ke-Chang	3,000	-	-	-	50 (Note 1)	3,050	Oct 2017 ~now	
	Chiu,Ming-Yu								
	Wang, Jui-Hung	-	-	-	-	75 (Note 2)	75	2020	

Note 1: Referring to the "Salary Checklist" of the Fees paid to the auditors in non-supervisory positions.

Note 2: Referring to the direct deduction method auditing fees

- (1) When the non-auditing fee paid to the independent auditors, the CPA firm, and the affiliated companies is more than one fourths of the auditing fee, company shall disclose the amount of auditing and non-auditing fee and the content of non-auditing services: None.
- (2) If the auditing fee paid in the year of changing to another CPA firm is less than the auditing fee paid in the prior year, shall state the amount of reduction and reasons : None
- (3) When the auditing fee is decreased by over 10% from the prior year, shall state the amount of auditing fee reduced , ratio and reasons : None

## 6. Information on Change of CPA

If the CPAs were changed in the last two years: None.

- 7. Where the company's Chairperson, General Manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a certified public accountant's accounting firm" means one in which the certified public accountants at the accounting firm of the attesting certified public accountant hold more than 50 percent of the shares, or of which such accountants hold more than half of the directorships, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the accounting firm of the certified public accountant:**
- None.

## 8. Equity transfer and equity change of the directors, supervisors, managers and shareholders with over 10% shareholding in fiscal year in the latest fiscal year and as of the publication date of the annual report

### 8.1 Changes in Shareholding of the Directors, Supervisors, Managers, and Major Shareholders

Title	Name	Year 2020		Up to April 25 of the Year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Chairman	Kuo, Shao-Yi	71,336	0	0	0
Director	LEALEA Enterprise Co., Ltd.	0	0	0	0
Director	Representative: Tung, Min-Hsiung	0	0	(205,950)	0
Director	Li Mao Investment Co., Ltd.	0	0	0	0
Director	Representative: Kao, Shu-Chen	71,335	0	0	0
Director	Shun Yu Investment Co., Ltd.	0	0	0	0
Director	Representative: Kuo, Ko-Chung	0	0	0	0
Director	Chen, Ping-Huang	0	0	0	0
Director	Kuo, Chi-Kang	0	0	0	0
Independent Director	Lin, Yao-Chuan	0	0	0	0
Independent Director	Kao, Cheng-Shang	0	0	0	0
Independent Director	Lee, Su-Chin	0	0	0	0
President	Kuo, Shao-Yi	71,336	0	0	0
Managerial Officer	Chen, Ping-Huang	0	0	0	0
Managerial Officer	Tung, Min-Hsiung	0	0	(205,950)	0
Managerial Officer	Chen Yu-Chou	0	0	0	0
Managerial Officer	Yuan, Pei-Huan	0	0	(9,000)	0
Managerial Officer	Kuo, Li-Ching	0	0	0	0
Managerial Officer	Su Yen-Ming	0	0	(81,000)	0
Managerial Officer	Wang, Chun-Fa	0	0	0	0
Managerial Officer	Yang, Han-Hsing	0	0	0	0
Managerial Officer	Yu Jeng Houng	0	0	0	0
Finance Manager	Wang, Li-Yen	0	0	(8,000)	0
Accounting Manager	Ko, Pei-Chun	0	0	0	0
Major Shareholder	LEALEA Enterprise Co., Ltd.	0	0	0	0

### 8.2 The information regarding the transaction of equity interests and the counterparty as a related party of a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent:

Name	Reason of Equity Transfer	Date of Transaction	Counterparty of the Transaction	Relations of the Counterparties and the Director, Supervisor, and Shareholder with a stake of more than 10 %	No. of Shares	Transaction Price
Kuo, Shao-Yi	inherit	25 Aug 2020	Hung Su	Mother and child	71,336	6.93
Tung, Min-Hsiung	Gift	14 Jan 2021	Monica Tung	Father-Daughter	103,000	9.18
Tung, Min-Hsiung	Gift	14 Jan 2021	Issac Tung	Father-Son	102,950	9.18

### 8.3 Information regarding the pledge of equity interests and the counterparty as a related party of a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent: None.

**9. Information on the top-10 Shareholders who are affiliates or related as spouse or second cousins:**

Name	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives within Two Degrees		Remarks
	No. of Shares	%	No. of Shares	%	No. of Shares	%	Title (or Name)	Relationship	
LEALEA Enterprise Co., Ltd.	145,353,853	15.89%	N/A	N/A	N/A	N/A	Li Hao Investment Li Zan Investment	Invested Company with controlling power	None
							Li Mou Investment Li Shing Investment Hung Shing Investment	Invested Company evaluated by Equity Method	
Representative: Kuo, Shao-Yi	9,584,819	1.05%	3,338,153	0.36%	8,346,403	0.91%	KUO, Chuan - Ching	Brother	None
Li Hao Investment Co., Ltd.	49,213,968	5.38%	N/A	N/A	N/A	N/A	LEALEA Enterprise Co., LTD. Li Zan Investment Li Mou Investment Li Shing Investment Hung Shing Investment	Investor with Controlling Power Substantial Related Party	None
Representative: Chen,Hui-Chen	0	0	0	0	0	0	None	None	
Li Mou Investment Co., Ltd.	34,177,995	3.74%	N/A	N/A	N/A	N/A	LEALEA Enterprise Co., LTD. Li Hao Investment Li Zan Investment Li Shing Investment Hung Shing Investment	Investor using equity method valuation Substantial Related Party	None
Representative: Lin Hsiu Ling	1,159,888	0.13%	0	0	0	0	None	None	
Li Zan Investment Co., Ltd	31,267,763	3.42%	N/A	N/A	N/A	N/A	LEALEA Enterprise Co., LTD. Li Hao Investment Li Mao Investment Li Shing Investment Hung Shing Investment	Investor with Controlling Power Substantial Related Party	None
Representative: Lin Hsiu Ling	1,159,888	0.13%	0	0	0	0	None	None	
Hung Shing Investment Co., Ltd.	24,618,087	2.69%	N/A	N/A	N/A	N/A	LEALEA Enterprise Co., LTD. Li Hao Investment Li Zan Investment Li Mao Investment Li Shing Investment	Investor using equity method valuation Substantial Related Party	None
Representative: Huang Yi Ping	0	0	0	0	0	0	None	None	
Chin Hsiang Investment Co., Ltd.	21,368,383	2.34%	N/A	N/A	N/A	N/A	None	None	None
Representative: Cao Yong-tian	0	0	0	0	0	0	None	None	None
Li Sing Investment Co., Ltd	17,021,024	1.86%	N/A	N/A	N/A	N/A	LEALEA Enterprise Co., LTD. Li Hao Investment Li Zan Investment Li Mou Investment Hung Hsing Investment	Investment evaluated by equity method Substantial Related Party	None
Representative: Chen,Hui-Chen	0	0	0	0	0	0	None	None	
Hong Yi Investment Co., Ltd	15,098,292	1.65%	N/A	N/A	N/A	N/A	None	None	None
Representative: Ko, Pei-Chun	0	0	0	0	0	0	None	None	None
Kuo Chuan Ching	12,689,591	1.39%	0	0	0	0	Kuo, Shao-Yi	Brothers	None
YIRONG Investment Co., Ltd	12,052,200	1.32%	N/A	N/A	N/A	N/A	None	None	None
Representative: Teng Ta Hun	0	0	0	0	0	0	None	None	None

**10. The Shareholding of the Company and The Company's Directors, Supervisors, Managers, and the Enterprises directorly or indirectly controlled by the Company in the same invested company, and the consolidated shareholding ratio**

Consolidated Shareholding Ratio

31 March 2021  
Unit: Share: %

Reinvested Companies (Note)	Investment of Li Peng		Investment of the directors, supervisors, managers, and companies that are directly or indirectly controlled by Li Peng		Total Investment	
	Shares	%	Shares	%	Shares	%
Li Mao Investment Co., Ltd	40,356,000	53.38%	35,244,000	46.62%	75,600,000	100.00%
Hung Hsing Investment Co., Ltd.	26,296,000	53.02%	23,304,000	46.98%	49,600,000	100.00%
Li Shing Investment Co., Ltd.	42,400,000	53.00%	37,600,000	47.00%	80,000,000	100.00%
Li Hao Investment Co., Ltd.	35,244,000	46.62%	40,356,000	53.38%	75,600,000	100.00%
Li Zan Investment Co., Ltd	21,540,000	46.83%	24,460,000	53.17%	46,000,000	100.00%
Rich Development	51,117,852	6.87%	66,944,333	9.00%	118,062,185	15.87%
LEALEA Technology Co., Ltd.	7,041,004	18.54%	12,815,455	33.75%	19,856,459	52.29%
LEA JIE Energy Co., Ltd.	9,000,000	30.00%	21,000,000	70.00%	30,000,000	100.00%
Fu Li Transportation Co., Ltd.	2,800,000	20.00%	3,500,000	25.00%	6,300,000	45.00%
In Talent Investments Limited	2,000,000	100.00%	0	0%	2,000,000	100.00%
Li Ling Film Co., Ltd.	2,000,000	3.33%	7,198,500	12.00%	9,198,500	15.33%
LIBOLON Energy Co., Ltd	2,100,000	70.00%	0	0	2,100,000	70%
PT.INDONESIA LIBOLON FIBER SYSTEM	5,730,000	30.00%	13,370,000	70.00%	19,100,000	100.00%
Eton Petrochemical Co., Ltd.	900,000	75.00%	0	0	900,000	75.00%

Note: The Company is using Equity Method Evaluation for Investment.

## IV. Capital Overview

### 1. Capital and Shares

#### 1.1 Source of Equity

##### 1. The Process of Capital Formation

Month/Year	Offering Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Volume	Shares	Volume	Source of Capital	Property other than cash is paid for shares by Subscriber	Others
Jun 1992	10	80,000,000	800,000,000	102,000,000	1,020,000,000	See Note 1	None	None
Jun 1993	10	150,000,000	1,500,000,000	122,400,000	1,224,000,000	See Note 2		
Jun 1994	10	230,000,000	2,300,000,000	170,760,000	1,707,600,000	See Note 3		
Jun 1995	10	230,000,000	2,300,000,000	187,836,000	1,878,360,000	See Note 4		
Jun 1996	10	230,000,000	2,300,000,000	206,619,600	2,066,196,000	See Note 5		
May 1997	10	500,000,000	5,000,000,000	325,000,000	3,250,000,000	See Note 6		
Jun 1998	10	500,000,000	5,000,000,000	496,250,000	4,962,500,000	See Note 7		
Aug 1999	10	680,000,000	6,800,000,000	570,687,500	5,706,875,000	See Note 8		
Jul 2007	10	880,000,000	8,800,000,000	627,756,250	6,277,562,500	See Note 9		
Jul 2008	10	880,000,000	8,800,000,000	652,866,500	6,528,665,000	See Note 10		
Jul 2011	10	880,000,000	8,800,000,000	718,153,150	7,181,531,500	See Note 11		
Jun 2012	10	880,000,000	8,800,000,000	754,060,807	7,540,608,070	See Note 12		
Jun 2013	10	880,000,000	8,800,000,000	791,763,847	7,917,638,470	See Note 13		
Jul 2014	10	880,000,000	8,800,000,000	870,940,231	8,709,402,310	See Note 14		
Jul 2015	10	1,200,000,000	12,000,000,000	914,487,242	9,144,872,420	See Note 15		

Note 1: Decree No. 01113 (81) issued by the MOF, effective on 1 June 1992: Issuance of Common Shares for Cash Capital Increase was NTD300,000 thousand; Capital Increase by Retained Earning was NTD60,000 thousand; Capitalization by Capital Reserves was NTD60,000 thousand.

Note 2: Decree (82) No. 01466 (1) issued by MOF, registration effective on 16 June 1993: Capital Increase by Retained Earning was NTD102,000 thousand; Capitalization by Capital Reserves was NTD102,000 thousand.

Note 3: Decree (83) No. 28458 (1) issued by MOF: Issuance of Common Shares for Cash Capital Increase was NTD300,000 thousand; Capital Increase by Retained Earning was NTD85,680 thousand; Capitalization by Capital Reserves was NTD97,920 thousand.

Note 4: Decree (84) No. 33111 (1) issued by MOF, registration effective on 6 June 1995: Capital Increase by Retained Earning was NTD85,380 thousand; Capitalization by Capital Reserves was NTD85,380 thousand.

Note 5: Decree (85) No. 39031 (1) issued by MOF, registration effective on 24 June 1996: Capital Increase by Retained Earning was NTD131,485.2 thousand; Capitalization by Capital Reserves was NTD56,350.8 thousand.

Note 6: Decree (86) No. 40520 (1) issued by MOF, registration effective on 30 May 1997: Issuance of Common Shares for Cash Capital Increase was NTD873,875 thousand; Capital Increase by Retained Earning was NTD206,619 thousand; Capitalization by Capital Reserves was NTD103,310 thousand.

Note 7: Decree (87) No. 51849 (1) issued by MOF, registration effective on 25 June 1998: Issuance of Common Shares for Cash Capital Increase was NTD900,000 thousand; Capital Increase by Retained Earning was NTD390,000 thousand; Capitalization by Capital Reserves was NTD422,500 thousand.

Note 8: Decree (88) No. 77675 (1) issued by MOF, registration effective on 25 Aug 1999: Capital Increase by Retained Earning was NTD397,000 thousand; Capitalization by Capital Reserves was NTD347,375 thousand.

Note 9: Decree No. 0960035050 issued by FSC, registration effective on 9 July 2007: Capitalization by Capital Reserves was NTD570,687 thousand.

Note 10: Decree No. 0970032564 issued by FSC, registration effective on 1 July 2008: Capitalization by Capital Reserves was NTD251,102 thousand.

Note 11: Decree No. 1000030447 issued by FSC, registration effective on 1 July 2011: Capitalization by Capital Reserves was NTD652,866 thousand.

Note 12: Decree No. 1010028245 issued by FSC, registration effective on 28 June 2012: Capitalization by Capital Reserves was NTD359,076 thousand.

Note 13: Decree No. 1020025030 issued by FSC, registration effective on 27 June 2013: Capitalization by Capital Reserves was NTD377,030 thousand.

Note 14: Decree No. 1030025255 issued by FSC, registration effective on 3 July 2014: Capital Increase by Retained Earning was NTD791,763 thousand.

Note 15: Decree No. 1040026159 issued by FSC, registration effective on 13 July 2015: Capital Increase by Retained Earning was NTD435,470 thousand.

Category of Shares	Authorized Capital				Remarks
	Outstanding Shares	Treasury Stocks	Un-issued Shares	Total	
Common Shares	906,487,242	8,000,000	285,512,758	1,200,000,000	Listed Shares

2. Shelf registration: None

## 1.2 Structure of Shareholders

25 April 2021

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions & Foreigners	Total
No. of Holders	2	11	52	40,472	84	40,621
Shares	205	4,074,245	430,157,460	406,647,287	73,608,045	914,487,242
%	0.00%	0.44%	47.04%	44.47%	8.05%	100.00%

Note: Companies primarily listed on the TWSE and the TPEx shall disclose the proportion of their shares held by investors from Mainland China. Investors from Mainland China refer to natural persons, legal persons, organizations, institutions, or companies in areas other than Taiwan and Mainland China that are invested by persons of such identity as stipulated in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

## 1.3 Distribution of Equity

25 April 2021

Class of Shareholding	No. of Shareholders	No. of Shares Held	%
1 to 999	11,912	3,060,676	0.34%
1,000 to 5,000	19,015	43,941,333	4.81%
5,001 to 10,000	4,433	36,779,701	4.02%
10,001 to 15,000	1,486	18,950,638	2.07%
15,001 to 20,000	1,094	20,684,620	2.26%
20,001 to 30,000	945	24,408,055	2.67%
30,001 to 40,000	374	13,434,831	1.47%
40,001 to 50,000	345	16,369,202	1.79%
50,001 to 100,000	520	38,558,426	4.22%
100,001 to 200,000	243	34,703,168	3.79%
200,001 to 400,000	112	31,480,655	3.44%
400,001 to 600,000	42	20,599,581	2.25%
600,001 to 800,000	13	8,971,221	0.98%
800,001 to 1,000,000	14	12,828,053	1.40%
1,000,001 above	73	589,717,082	64.49%
Total	40,621	914,487,242	100.00%

Preferred Shares: Unissued.

**1.4 List of Major Shareholders**

25 April 2021

Major Shareholder	Shares	Shares Held	%
LEALEA Enterprise Co., Ltd.		145,353,853	15.89%
Li Hao Investment Co., Ltd.		49,213,968	5.38%
Li Mao Investment Co., Ltd.		34,177,995	3.74%
Li Zan Investment Co., Ltd.		31,267,763	3.42%
Hung Shing Investment Co., Ltd.		24,618,087	2.69%
Chih Hsiang Investment Co., Ltd.		21,368,383	2.34%
Li Shing Investment Co., Ltd.		17,021,024	1.86%
Hong Yi Investment Co., Ltd.		15,098,292	1.65%
Kuo Chuan Ching		12,689,591	1.39%
YIRONG Investment Co., Ltd.		12,052,200	1.32%



### 1.5 Market Price per Share, Net Worth Per Value, Earnings Per Share (EPS), Dividends Per Share (DPS) and Related Information in the Most Recent Two Fiscal Years

Item \ Year			2019	2020	Current Fiscal Year up to 31 March 2021 (Note 8)
Market Price Per Share (Note 1)	Highest		7.97	9.64	10.65
	Lowest		6.77	4.51	7.52
	Average		7.36	7.88	9.46
Net Worth Per Value (Note 2) (Note 10)	Before Distribution		11.26	11.51	11.48
	After Distribution		11.26	Note 9	-
Earnings Per Share	Weighted Average Shares		862,389,948	862,389,948	862,389,948
	Earnings Per Share(Note 3)	Before Adjustment	(0.29)	(0.48)	0.18
		After Adjustment	(0.29)	0 (Note 9)	-
Dividends Per Share	Cash Dividend		0	0 (Note 9)	-
	Stock Grant	Allotment by Earning	-	0 (Note 9)	-
		Allotment by Capital Surplus	-	0 (Note 9)	-
	Accumulative non-distributed Dividends (Note 4)		-	-	-
Return on Investment Analysis	Price/Earnings Ratio (Note 5)		(25.24)	(14.13)	49.45
	Price/ Dividend Ratio (Note 6)		-	-	-
	Cash Dividend Yield Rate (Note 7)		-	-	-

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

Note 2: Please use the number of share outstanding by the end of the year as the base line, and filled out by the distribution status of the resolutions made by the Shareholders Meeting of the second year.

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

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

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

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

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

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

Note 9: The proposed distribution plan by the Board of Directors is subject to the resolution of the Annual General Meeting in 2021.

Note 10: The number of shares outstanding at the end of the year was those issued by the Company at the end of the year less the number of shares of the parent company held by its subsidiaries.

### 1.6 Dividend Policy and Implementation Status

#### 1. Dividend Policy stipulated in the Company's Articles of Incorporation

The Company is in the midst of volatile industry environment and the life cycle of the enterprise is at a stable growth stage and is developing towards diversification. Considering the Company's future needs for capital, long term financial planning and cash inflow expectation of our shareholders, when resolving to pay dividends to shareholders in the AGM, the cash dividend shall be no less than 10% of the total dividend. However, if the distributable profit per share in the current fiscal year is less than NTD0.1, no cash dividends shall be distributed. Instead, stock dividends shall be distributed. Under such circumstance, the Board of Director may change the aforementioned-ratio depending on economic conditions and company's operating conditions.

#### 2. Distribution of dividends proposed at the most recent AGM

The Board of Director Meeting on 29 March 2021 approved no distribution of dividends.

#### 3. Any expected material changes to the dividend policy in the future: None.

### **1.7 Effects on the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent AGM:**

There is no proposal of distribution of stock dividends for resolution at the AGM.

### **1.8 Rewards Distributed to Employees, Directors, and Supervisors**

1. Percentage or range of rewards, distributed to employees and directors as stipulated in the Company's Articles of Incorporation:

As stipulated in Article 28 of the Articles of Incorporation of the Company: If the Company is profitable in the current fiscal year, no less than 2% of the profit shall be allocated as the employee rewards and no more than 5% of the profit shall be allocated as the Directors' compensation. However, the Company shall reserve its profit to cover its loss, if cumulative loss is recorded before the aforementioned ratios are distributed to employees and Directors. The Board of Directors shall resolve if employee rewards are to be paid in the form of stock or cash. The payees of the employee rewards also include the employees working for the subordinate companies who meet the criteria set by the Board of Directors.

2. Basis for estimating the amount of rewards to be distributed to employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee rewards and accounting treatment for discrepancies between the actual and the estimated rewards to be distributed for this period:

- (1) Basis for estimating the amount of rewards to be distributed to employees, directors, and supervisors: As the Company recorded loss in the year 2020, the amount of rewards to employees, directors, and supervisors were not estimated.

- (2) Basis of calculating the number of shares to be distributed as employee rewards: Not applicable.

- (3) Accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed: Not applicable.

3. Distribution of the rewards for the fiscal year of 2020 approved by the Board of Directors' Meeting in 2021

- (1) Rewards for employees and directors shall be distributed in the form of cash or shares. If there is any discrepancy between the above-mentioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be explained: As the Company recorded loss in the year 2020, the amount of rewards to employees, directors, and supervisors were not estimated.

- (2) Amount of employee rewards distributed in the form of shares and its proportion to NIAT provided in the parent company-only or individual financial statements, as well as its proportion to the total amount of employee rewards: Not applicable.

4. If there is any discrepancy between the actual amount of rewards distributed to employees and directors (including number and dollar amount of shares distributed, as well as share price) and the recognized amount of rewards for employees and directors in the previous fiscal year, the amount, causes and treatment of such discrepancies shall be stated:

As Loss before Tax was recorded in 2019, the Board of Director Meeting on 27 March 2020 approved no distribution of employees' awards and directors' compensation, which is no deviation from the employees' compensation and directors' compensation recognized in the financial statements for the year 2019.

**1.9 The Company buys back the Company's Common Shares**

30 April 2021

Series of Buyback	The 5 <sup>th</sup>
Purpose of Buyback	To Transfer to Employee
Period for the Buyback	1 Aug 2018 ~ 30 Sep 2018
Price Range of the Buyback	NTD5.65 ~12
Types and Number of Shares to be Repurchased	8,000,000 Common Shares
Monetary Amount of Share Repurchased	NTD74,665,600
No. of Shares already cancelled and transferred	0 shares
Accumulated number of Shares held by the Company	8,000,000 shares
Ratio of the number of buyback shares / the planned number of shares to be bought back. (%)	0.87%

**2. Issuance of Corporate Bonds:** Unissued.**3. Issuance of Preferred Shares:** None**4. Issuance of Global Depositary Receipts:** None**5. Issuance of Employee Stock Options:** None**6. Issuance of New Restricted Employee Shares:** None**7. Status of New Share Issuance in Connection with Mergers and Acquisitions:** None**8. Implementation of Capital Utilization Plan****8.1 Content of the Plan:** None**8.2 Implementation Status:** None

## V. Operational Highlights

### 1. Business Scope

#### 1.1 Business Items

1. The company's major lines of business and the relative weight (%) of each

Business Line Ratio

Product	Ratio to Net Operating Income (%)
Nylon Chips	36.75
Petrochemicals	29.01
Woven (Knitted) Fabrics	15.43
Nylon Filament	12.21
Others	6.60
Total	100.00

2. Current Products (Services)

The main products of our company are divided into two - areas: In the upstream of the textile industry, we have nylon chips and nylon filament; in the downstream, we have outdoor sports Textiles, fashion fabrics, upholstery & furnishing fabrics; in the post-processing section of manufacturing processes, we provide dyeing and finishing services.

3. Products (Services) under development

#### (1) Nylon Chips

##### 1) BOPA Nylon Film Development

The Company collaborates with Li Ling Film to develop nylon film product, which has the advantages of higher intensity and better air resistance than PE and BOPP film; the new nylon film product also requires lesser costs in manufacturing and is more environmentally friendly than EVOH and PVDC film. With the rising awareness of food safety in the recent years, BOPA films features in freezing, steaming, vacuum packaging, and non-toxic and non-hazardous recyclability, make BOPA -- widely used for food preservation.

##### 2) Development of Eco-plastics for Electricals and Electronics

The Company uses recycled nylon and polyester fiber waste to develop new environmentally friendly plastic materials. In addition, we collaborate with electronics material manufacturers to develop environmentally friendly recycled plastics for electronics products, automobiles as well as related component accessories, machinery and tool cases. The Company's increasing use of recycled plastics not only conserves the earth's resources, but also demonstrates our determination on environmental protection.

##### 3) Development of Fishing Net Nylon Yarn

Developing functional nylon chips with various value-added features for fishing net and derivate products by recycling fishing net wastes.

##### 4) Environmentally Friendly Recycled Pallets

To Reduce the secondary solid wastes generated in the recycling and reproduce processes of waste yarns and to respond to the market demand for replacing wood pallets.

## (2) Nylon Filament

## 1) Compound anti-bacteria Nylon Yarns

We use engineering plastics to develop compound Multi-functional Masterbatch (with silver) with JIS 1902 anti-bacterial value  $>2.0$ . Our formula and improved manufacturing process reduce silver content and increase anti-bacterial stability after dyeing and finishing.

## 2) Low Hygroscopic Nylon Yarns

The low hygroscopic nylon yarns self-developed through engineering plastics is to replace externally purchased low moisture absorption nylon yarns (N610, N1010, N12). Our newly developed yarn has better features such as thermal retention, avoiding heat dissipation, water repellent effect, anti-abrasion, and anti-hook effects.

## (3) Environmental Protection Ecology, Innovative Technology, and All-round Services :

In 2019, the orders for our outdoor branding products increased significantly. Our sales delivered LIBOLON's core values and product differentiation to brand designers, marketing our themes on functional clothing, intelligent manufacturing and green energy sustainability. Our new products Re-Ecoya & Poldura, made from environmentally friendly materials under the green-energy manufacturing process, are totally aligned to our corporate aim of caring for our planet. Therefore, these products lead our competitors and have been well received by our customers. Our goal is to be a real expert in the industry, our products and be able to open more markets. We will continuously focus on developing innovative and environmentally friendly fashion textiles with features such as light weight, more refined and elastic polyester yarns to facilitate the promotion of our products.

In addition to high-end textiles R&D, our nylon engineering plastic unit is actively working on environmentally protection recycling products, such as recycling plastic pallets to be re-made into daily and industrial applications.

## (4) Humanities and Fine Arts

In 2019, the Company set up a new product line to manufacture 3.2M wide-cloth Black-out curtain fabrics, expanding into household textiles market. The Company invested in setting up 3.6 M wide-cloth machine facility; our R & D team identify unique design and creative aesthetics for household textile fabrics, research and development of high-density blackout curtain fabric and elegant sofa textiles, improving the perception of synthetic fiber craftsmanship, and finally make the breakthrough in the 3.6M weaving and dyeing technology. In addition, we use LEALEA Technology's innovative spinning processing technology for RePET PET bottle recycling technology along with flame retardant polyester fiber that imitates the appearance and feel of natural fiber as the design materials to represent the genuinely advanced weaving design method and the appearance of natural fiber. This year, we have made a breakthrough in developing the 3.2M recycled flame retardant black-out fabric RePET+LiFRA, which was exhibited in Japan and Germany. Our strategy of "developing in Taiwan and manufacturing in Indonesia" has made LIBOLON's products more competitive.

## (5) Application of Engineering Plastics

Apart from the original nylon chips for spinning, we have developed nylon chips for other usage in the engineering plastics and films to replace the original imported special-purpose nylon chips and increase the sales of nylon chips in the future with cost advantage.

## (6) Multi-functional Masterbatch

We use the existing nylon 6 as the base material, applying them with color masterbatch processing, to derive functional masterbatches. In response to the trend of environmental recycling at the same time supplying to existing spinning additives and engineering plastic modifiers with added value, we add GRS and recycled spinning grade nylon chips to produce environmentally friendly recycled nylon yarns.

### 1.2 Industry Overview

#### 1. Current Status and Development of the Industry

Nylon production volume in Taiwan ranks third globally, after China and the United States. In addition to supplying domestic use, Taiwan actively exports nylon products to global markets. In the recent years, facing the fierce low-price competition from China, the Company shifted our strategies to customization, reduced quantity with choice of diversification and development of Dope-dyed filament yarns.

As for woven fabrics, due to export increase from developing countries such as China, India, Pakistan and Vietnam, Taiwan's textile industry has shifted focus on high value-added functional fabrics in order to upgrade our industrial structure to non-price related competition advantage, which has gradually taken effect and will be able to address the pressure of low-price competition in the international market.

#### 2. Correlations between Upstream, midstream and downstream industry

Our main products are Nylon Chips, Nylon Yarn, Woven Fabrics, Knitted Fabrics.

- (1) In addition to supplying some of the nylon chips for our own use, we also sell them to major domestic and foreign manufacturers, such as Li Ling Film, Acelon Chemicals & Fiber Corporation, Chain Yarn Co., LTD., BASF, Hyosung, CHTC Jiahua Non-Woven Co., LTD., Century Enka, etc., with customers in markets of Japan, Indonesia, Vietnam, India, Korea, Europe and America.
- (2) The nylon chips required for the production of nylon yarns are all produced in our company and the nylon yarns are sold not only for our own use but also to other countries, such as Taiwan LEALEA, Honmyue, Formosa Taffeta, etc. It is also exported to other countries such as China, Japan, Turkey, Brazil, etc.
- (3) The main raw material required for the production of woven or knitted fabrics is processed yarns, the main suppliers of which are LEALEA and Taiwan E Tex, etc. The finishing products are sold to the garment factories or steel factories of various domestic and foreign designer brands, such as H&M, Adidas, Jack Wolfskin, Arc'teryx, Decathlon, Patagonia, etc.

#### 3. Product development trends and competition situations

Taiwan's textile industry has excellent competitiveness - in terms of capacity and quality. Considering the advance in its technologies, the future will be determined by applying nylon chips to engineering plastic field and developing products with functionalities and with novelty usages to appeal to environmental protection demands. The Company's nylon plant has economies of scale, with the latest technology equipment, low manufacturing cost and high quality, which makes it highly competitive. Although woven fabrics are facing the rapid catch-up speed from Mainland China and other developing countries, the establishment of the R&D center has greatly enhanced the Company's competitiveness and has addressed threats from global competitions.

### 1.3 R&D Outlook

#### 1. Foreword

In response to the global trend of consumers' concern about climate change, depletion of natural resources, industrial pollution and non-toxic and safe products, we are developing green recycled fibre products "RePET® recycled polyester fiber", "ReEcoya® recycled dope dyeing fiber", "NylonPlus® recycled nylon fiber", and RePET+LiFRA products. All these products are developed based on green concepts of recycling and reuse to expand our business with high standards and new perspectives. Our company maintains the advantages of the one-stop shop by integrating the upstream and downstream factories - and setting up LIBOLON as an additional production base in Indonesia to diversify product lines and focus on customization. Apart from the flat knitting business, we have also expanded our knitted fabric business by adding a yarn dyeing factory and a professional knitted fabric dyeing and finishing factory, so that we can develop to a higher level of professionalism, technology and management. Across all our departments, we have talented professionals. Based on this foundation, we are able to establish the one-stop shop from "polymerization, yarn, weaving, dyeing and finished fabric" to create high value-added and stable finishing products. In addition, we are also developing engineering plastics and plastic wood building materials. On the aspect of customer services which emphasize rapid response to customers' demands, we have setting up an imminent project to build up the knowledge management system for all R&D's projects.

## 2. Research and development expenses for the most recent year and up to the printing date of the annual report

Unit: NTD1000

Item \ Year	2020	2021 Estimate
R&D Expense	112,090	113,000
R&D Expense as % of Net Revenue	1.08%	1.09%

## 3. Technology or products successfully developed in the most recent fiscal year and up to the date of publishing of the Annual Report

- (1) Stretchy Nylon Chips & Fibre
- (2) Engineering Plastics Modifier Chips
- (3) Nylon Film
- (4) Functional Nylon Monofilament
- (5) Transparent Nylon
- (6) Crystalline Ether
- (7) Low Dyeing Affinity Nylon Yarn
- (8) Antibacterial Nylon Yarn
- (9) Low Moisture Absorption Nylon Yarn
- (10) Recycled Nylon Yarn
- (11) Flame Retarded Nylon Yarn

## 4. Future Annual Research Development Plan

Our company has been continuing to maintain the advantages of one-stop shop operations with excellent high-tech R&D team. In 2017, we expanded our production base to Indonesia and established Indonesia LIBOLON in response to global competition. To be aligned with the recent sports trend, we have focused more on the development and manufacturing of knitted fabrics. This has enabled us to lead the product development ahead our competitions and our customers. From a batch-to-batch quality and stability of raw material all the way to accuracy of delivery dates, we are able to maintain our competitive edge.

Our products are all consumer-oriented, with a wide range of customers and diversified categories of products to meet market demands for different price points. Going forward, in order to ensure current customers' requirements, we will continue to develop our products vertically and at the same time, we will invest in household fabrics development to leapfrog competition from China and other South East Asian Countries. Through several years of hard working, we have seen the achievements and have received affirmation from our customers.

In the future, we will continue to invest in the development of products related to environmental protection and combine with industries in related fields to form an environmental alliance to work together for environmental protection.

Through self-development of upstream raw materials, the Company's development of differentiated and multifunctional products will grow significantly, creating another wave of peak point in the textile industry and laying the foundation for sustainable management.

**1.4 Long-term and short-term business development plans**

## ➤ Short Term Business Development Plan

1. On nylon filament yarns and chips, in addition to the products under development almost reaching maturity, we are also working on various other new products in line with the overall marketing strategy to meet the demands of our customers to obtain the targeted goals.
2. Nylon fiber's advantages are exceptional strong, fast dyeing, easy wash, quick dry, brighter dyeing and printing effects, which make Nylon fiber irreplaceable in the textile market. In industrial applications, Nylon



chips has even wider usages, where we have seen strong demand, for example, in automobile accessories, computer components, package films, etc. This along with nylon chips demand from the upper and midstream weaving manufacturers, especially in Taiwan, has motivated us to achieve nylon depolymerization.

3. The COVID-19 pandemic has wrought havoc across Europe and the U.S., resulting in retail shutdown and drop in garment fabric sales. However, household fabrics decline was limited as people stayed indoors, the need for household fabrics remained constant and the demand for household fabrics was maintained. Through our timely enter in electronics product fabrics sector, we received orders from listed electronics companies. For home decor fabrics, we are working on the sales of sofa fabrics in Taiwan; in the European market, we target at 3M fireproof black-out fabrics for hotels, and in the USA, outdoor fabrics. In addition, we have been developing wear-resistant Lycra-free elastic outdoor fabrics for snow jackets by using LEALEA's new stockings processing machines.
4. Faced with global overcapacity and the challenges of recruiting on-site manual operators, we have, along with using ERP system to establish a rapid response mechanism also collaborated with Industrial Bureau on the Industry 4.0 Project to integrate existing data for further analysis to reduce human errors caused by inexperience and incorrect decision making, and all these shall be passed down as knowledge sharing within our organizations.

➤ Long Term Business Development Plan:

1. Our daily production capacity of nylon chips is 1,300 tons. However, in the face of intense competition from China, we have been actively exploring other markets, such as America, Japan, and Southeast Asia. We have maintained stable long-term relationship with several major suppliers to ensure critical source supply of raw material, CPL.
2. In the four product areas of industrial fabrics, fashion apparel, sports and outdoor casual apparel, and home furnishing fabrics, we actively cooperate with brand vendors, establish strategic alliances with garment factories, and strengthen cooperation with brand vendors. In response to the demand for 3M curtain fabrics in Europe and America, we purchased 40 sets of 3.6m TOYOTA air jet looms to provide high-end hotel dish fabrics.
3. By strengthening our R&D center, we have been able to integrate the advantages of our yarn, weaving, dyeing, and coating in a consistent manner to maintain a flexible supply of diversified products and further improve the quality of our products.
4. As global warming has become increasingly serious, the protection of the ecosystem to preserve our beautiful planet for the future generation has become a social responsibility and imperative for every enterprise on the planet. Our company has developed RePET Recycle fabrics, which is extracted from recycled PET bottles. RePET is highly regarded by multinational brands such as H&M, Decathlon, Arc'terys, Patagonia, etc., and we have received orders from those big brands. The dyeing and finishing are the most polluting steps in the textile manufacturing processes. It is due to heavy oil used in the process which release massive amount of CO<sub>2</sub>, which is the root cause of global warming. In response to the major issue of global carbon reduction, the company has developed Ecoya environmentally friendly solution-dyed yarns, which not only greatly reduce CO<sub>2</sub> emissions, but also reduce wasted water and chemicals use. At the same time, Ecoya has proven to be superior in features such as color fastness to sunlight, fastness to water perspiration, etc.

In 2021, we have developed Ecoya ATY cotton-like fabrics, based on which we worked with several European and American brands such as Lafuma, Arc'terys, Decathlon, Jack Wolfskin, Patagonia, etc. to design Ecoya ATY check pattern shirts, snow jackets, stretch wearable pants and hiking backpacks, not only contributing to environmental protection, but also more competitive - pricing. Ecoya has replaced some of the sales T/C solid check fabrics. This year we continue to work on "ReEcoya", combining recycled yarns with Ecoya. This has won us a large order from Patagonia for climbing backpack materials. In addition, due to outbreak of COVID-19, we received medical curtains orders, which will be manufactured by 3-meter set-stretching machines in the dyeing and finishing plant. We have also set up a special unit to work with upstream LEALEA company, which is the supplier of the yarns used in one of the Apple's devices. This unit will work harder to see if we could be built in the supply chain and win more orders from Apple's suppliers to develop higher margin electronic product fabrics.



## 2. Market, Product & Sales Overview

### 2.1 Market Analysis

#### 1. Markets of Major Products (Net Amount)

Unit: 1000

Year \ Area	Taiwan	Export			Total
		Asia	Middle East	Others	
2020	5,936,741	6,828,149	326,428	468,143	13,559,461

#### 2. Market Share of Major Products

The domestic market share of nylon filament is about 13%; the domestic market share of nylon chips is about 43%.

#### 3. Supply & Demand of the Market in the Future and Growth

##### (1) Nylon Chips, Nylon Filament:

We are the only company in the world that can provide integrated one stop shop processes, from upstream to downstream services, including nylon chips, nylon filaments, weaving, dyeing and finishing to the entire operation processes. Therefore, our nylon chips and nylon filaments are very competitive in the market.

##### (2) Textiles:

Taiwan's textile industry already leads - the world technologically in - apparel textiles. In response to the industrial transformation and upgrading to meet the increasing demand for functional textiles from Europe and the United States and to avoid low-price competition from emerging textile countries, our R&D center will have to respond even faster to all the changing needs of the industry.

#### 4. Competitive Niches and Development Prospects: Advantageous and Disadvantageous Factors

##### (1) Advantageous Factors

- Taiwan has excellent nylon chips and nylon filament manufacturing technologies, which differentiate us from the nylon products made by the competitors in China. Because of the technological merits, Taiwan's nylon products enjoy certain competitive advantages in the world.
- Through unremitting efforts over the years, the single market dependency of the nylon chips orders from Mainland China have reduced significantly. We have opened Indian market, seeing the sales of India increased significantly. Moreover, we have been able to open the market in Japan, which requires high quality products. We believe that that in the future we will see increased turnover and profitability.
- With the improvement of dyeability, we shifted our focus on factory environment advancement under the consideration of environmental protection. This move has enabled us to invest in the manufacturing of high-unit price fabrics to increase profitability.
- The Company has regularly assigned R&D and commercial staff to attend exhibitions in Paris, Frankfurt, Tokyo, Salt Lake City and other major exhibitions around the world to enhance the market sensitivity and to collect market intelligence. In product R&D, our team is able to understand global fashion trends so as to increase customers' demands for our products.

##### (2) Disadvantageous Factors

- In the employment mindset of young generation, lots of the professionals are looking for jobs in the high-tech industries. The younger generation are hesitant to join the textile industry, resulting talent shortage and affecting the development and marketing of new products.
- On fabric dyeing and finishing, many of our domestic competitors have moved to mainland China and Southeast Asia to set up factories for low labor wages and mass manufacturing costs to compete with low price strategy for easier market entry. Compounded to that, the branded customers are affected by weak global economic environment with reduce orders. This in addition to the increasingly regulatory

requirements on chemical restrictions on textile products in Europe and in the USA, have made it more difficult to receive orders with our products manufactured under the domestic specification requirements, in other words, lacking competitive edge internationally.

### (3) Coping Strategies:

With regard to talent shortage, we cooperate with the government to work on academic-industry collaboration projects and education programs. We accept resources from Taiwan Textile Federation, Taiwan Textile Research Institution, etc. to improve the abilities of employees and cultivate employees.

On the structures of products, we focus on limited quantity with diversified choices, and developing high quality products. As the world is facing the dilemma and challenge of climate change, - and concern for ecological conservation has become increasingly important, the company actively approves relevant safety certified products and services, such as GRS and Blue sign certifications, to comply with the requirements of international laws and regulations management, improve brand trust, and enhance international competitive edge. In addition, to upgrade manufacturing automation for labor-saving machines to replace labor costs, we are able to surpass competitors, create extraordinary performance and move toward the goal of sustainable business.

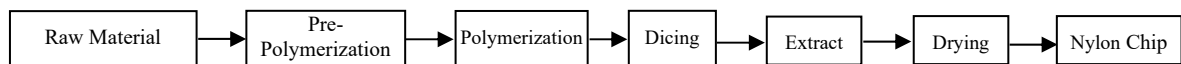
## 2.2 Major Usages of Core Products and Manufacturing Process

### 1. Major Usage of Core Products

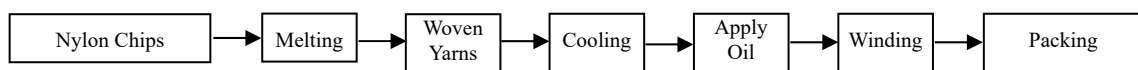
In addition to nylon chips, filaments, and woven fabrics, our company produces a wide range of products, including microfiber fabrics, new synthetic fabrics, lycra, artificial suede fabrics, strong-twister fabrics, trouser (skirt) materials, furniture fabrics, nylon fabrics, and other long-fiber fabrics. Apart from sports, casual clothes, our fabrics can also be applied to industrial usages, such as lamination, luggage (bags), shoe materials and other diversified applications.

### 2. Manufacturing Process

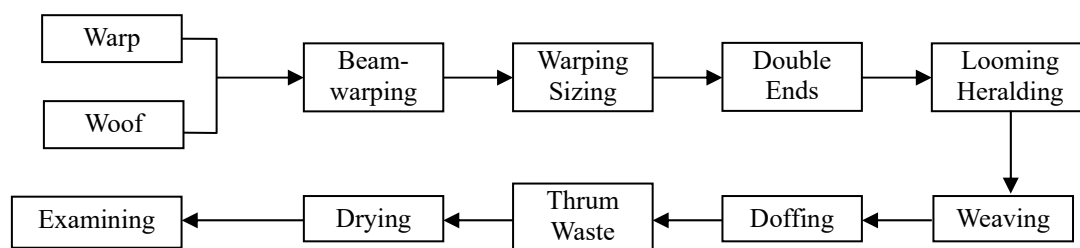
#### Nylon Chip Manufacturing Process



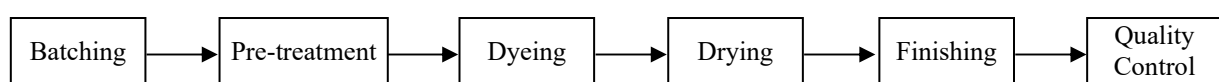
#### Nylon Filament Manufacturing Process



#### Woven Fabrics Manufacturing Process



#### Dyeing and Finishing Process



### 2.3 Supply Conditions of Major Raw Materials

The major raw materials of the Company are CPL and Textured Yarn

#### 1. CPL

China Petrochemical Development Corporation (CPDC) is the only supplier of CPL in Taiwan. We have maintained long-term supply relationship with CPDC. In Taiwan as the demand for CPL is higher than supply, we have signed long-term supply contracts with large international companies, such as Sumitomo Chemical, UBE, FIBRANT, etc. In addition, we have also increases the purchase amount from the open market with main source from Russia. This is to reduce the purchase cost of CPL to increase overall profitability.

#### 2. Textured Yarn

The suppliers of the textured yarns are LEALEA, Far Eastern New Century Corporation, Taiwan E Tex, etc. Because of the large production volume and good quality, the Company is able to obtain the right amount of high-quality raw material with a good price to lower the purchase cost and thus increase the Company's profitability.

### 2.4 Information of the Suppliers in the Most Recent Two Years

Unit: NTD1000

Item	2019				2020				As of the Previous Quarter 2021			
	Name	Amount	As a percentage of net purchase for the year %	Relationship with Issuer	Name	Amount	As a percentage of net purchase for the year %	Relationship with Issuer	Name	Amount	As a percentage of net purchase for the year %	Relationship with Issuer
1	CPDC	3,564,112	35	None	Others	10,143,358	100	None	TOTAL	1,891,122	38	None
2	SBU	1,043,106	10	None					Others	3,140,102	62	
	Other	5,434,115	55									
	Net Purchase	10,041,333	100		Net Purchase	10,143,358	100		Net Purchase	5,031,224	100	

Note: The suppliers of raw material CPL that accounted for more than 10% in 2019. In July 2020, we set up a new subsidiary, the main business line of which is sales of chemicals. In 2020, there was no single supplier from whom the Company's purchase accounts for over 10%. As of the previous quarter 2021, the net purchase over 10% was from a chemical product supplier.

### 2.5 Information of Major Customers in the Most Recent Two Years

Unit: NTD1000

Item	2019				2020				As of the Previous Quarter 2021			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with Issuer	Name	Amount	As a percentage of net purchase for the year %	Relationship with Issuer
1	Other	14,579,347	100		Oriental Petrochemical	1,518,411	11	None	Oriental Petrochemical	735,135	13	None
					Others	12,041,050	89		Others	5,143,211	87	
	Net Sales	14,579,347	100		Net Sales	13,559,461	100		Net Sales	5,878,346	100	

Note: In 2019, the Company had a large customer base who were geographically spread-out. There was no single -customer who contributed to over 10% of net sales. In July 2020, we set up a new subsidiary, with the main business line as sales of chemicals. As of 2020 and the first quarter 2021, chemical product customers accounted for more than 10% of the net sales.

## 2.6 Production volume table for the last two years

Volume Unit: Woven Fabrics: Thousand Yard; Knitted Fabrics, Yarns, Chips: Ton

Currency Unit: 1000

Production Volume & Value Major Product	Year	2019			2020		
		Capacity	Volume	Value	Capacity	Volume	Value
Woven Fabrics — Self made		69,602	35,618	1,759,310	69,602	22,576	1,169,618
Woven Fabrics — Foundry			17,006	243,026		15,150	210,100
Knitted Fabrics — Foundry		6,869	2,829	123,453	6,869	2,681	126,952
Nylon Filament Yarn		45,868	35,090	2,471,300	45,868	28,267	1,669,157
Nylon Chips		411,754	177,434	9,696,003	411,754	145,182	5,738,378
Total				14,293,092			8,914,205

Note: Other business lines are trading operations or products of smaller production volume and sales value. Therefore, they are not disclosed in the above table.

## 2.7 Sales Volume and Value in the Most Recent two Years

Volume Unit: Woven Fabrics: Thousand Yard; Knitted Fabrics, Yarns, Chips: Ton

Currency Unit: 1000

Sales Value & Volume Major Products	Year	2019				2020			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Woven Fabrics		11,572	583,937	43,130	2,540,780	8,525	423,814	22,328	1,405,046
Knitted Fabrics		141	33,079	222	63,644	186	38,528	633	225,161
Nylon Filament Yarn		18,788	1,347,234	13,043	996,749	20,749	1,243,803	6,703	411,728
Nylon Chips		24,340	1,367,123	113,744	6,506,783	28,173	1,157,936	91,005	3,825,047
Petrochemicals (Note)						151,659	2,317,463	117,626	1,615,752
Others			981,214		158,804		755,197		139,986
Total			4,312,587		10,266,760		5,936,741		7,622,720

Note: In July 2020, we set up a new subsidiary, the main business line of which is sales of chemicals.

### 3. Employees

Year		2019	2020	As of 31 March 2021
No of Employees	Staff	275	260	260
	Technicians	187	175	174
	Operators	902	871	873
	Total	1364	1306	1307
Average Age		37.76	38.55	38.78
Average Years of Service		8.15	8.78	9
Academic Qualification %	Doctoral	0%	0%	0%
	Master	2.57%	2.53%	2.53%
	University	30.06%	29.40%	29.38%
	Senior High School	28.52%	27.64%	27.70%
	Below Senior High School	38.85%	40.43%	40.39%

### 4. Environmental Protection Expenditure

#### 4.1 Description : For the past two years and as of the issue date of this annual report, losses suffered due to pollution (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspections, specifying the deposition dates, disposition, reference numbers, the provisions of law violated, and the content of the dispositions):

The Nylon general plant in Changhua has the Heat Medium Heating Procedure Operating License (M07). On February 6, 2020, the Environmental Protection Bureau Changhua County sent its staff to examine the emission of particulate matter pollutants, sulfur oxides, and nitrogen oxides from the emission pipes (P701) in the manufacturing processes. The actual calibration value result of the examine recorded 173mg/Nm<sup>3</sup>, which was higher than the required emission standard 50mg/Nm<sup>3</sup> for particulate matter as stipulated in the "Emission Standard for Air Pollutants from Boiler Processes in Changhua County" by Decree No. 1050197927 dated on 16 June 2016, which was authorized by Article 20(1) and (2) of the Air Pollution Prevention Law to the the Changhua County Government for stipulation of local emission standards. As a result, the Company was find NTD300,000, due to violation of Article 20 (1) and (2) of the Air Pollution Prevention Law.

#### 4.2 Current and Future Estimated Amounts and Countermeasures

Due to partial breakage of the baghouse filter of the pollution prevention equipment in the Heat Medium heating process system (M07) in our Changhua general nylon factory, we immediately purchased a new baghouse to replace it. Then, we arranged a new examination. The emission concentration of particulate matter was 27mg/Nm<sup>3</sup> (emission standard: 50mg/Nm<sup>3</sup>). The cost of purchasing new baghouse and the replacement project charge was NT\$968,000.

### 5. Labor Relations

We have -always cared about and emphasized on the employees' welfare and growth, and we have focused on the training and education of our employees. Building good rapport with employees is one of the keys to the success of business management. In the recent years, due to fast changing pace of economic development, the industry is facing the challenge of structural transformation. Therefore, the awareness of the importance of the labor relations to employers has been especially highlighted. Since the establishment of our company, labor relations have always been harmonious, -, thus no labor disputes have ever occurred.

Our benefits are described as below:

#### 5.1 The Company's Welfares

(1) Labor Insurance (2) National Health Insurance (3) Festivals, Wedding & Funeral Subsidies (4) Health Examine (5) Annual Bonus (6) Profit Sharing & Stock Ownership

#### 5.2 The Employee Welfare Committee's Benefits

(1) Small Group Social Gathering (2) Festivals, Wedding & Funeral Subsidies (3) Scholarship and Grants (4) Club Activities (5) Travel Subsidies (6) Year End Party (7) Birthday Gift (8) Festival Gift (9) Year End Gift Draw (10) Book, Magazines, Newspapers (11) Group Insurance (12) Cultural & Recreational Activities (13) Children Scholarship

#### 5.3 On Job Training

In order to improve the quality of human resources and to enhance the job-related knowledge and skills of our employees, to improve their competitiveness both within and outside the enterprise and to give them the stage to fully expand their potential, based on the needs of employees and according to their ranks and different business types, the Company has established an on-the-job training program for the employees, which is implemented as follows:

##### 1. Short-term Training:

Employees would be assigned or are given the chances to apply to various training centers, consulting firms, associations to receive training. In 2020, the external training courses focusing on professional knowledge and skillset certifications that Company has assigned the employees to attend were as below: : "Fashion Express for Autumn and Winter", "Foreign Trade E-Commerce + Brand Innovation", "Sportswear Textiles: Post COVID-19", "Protection from Virus and HealthCare", "Holding on to Fashion Trends-Striving for Innovation", "Communication Skills: All you need for Presentation, Sales and Speech", "Taipei Dangdai- Art & Ideas", "How to Prevent Major Financial Malpractice", "Sales & Payment Collection Cycles and Internal Auditing Principles of Legal Compliance". As for the corporate internal training, we place our focus on environmental protection "GRS Global Recycle Standards", Employee Safety "Hazards Evaluation", "Hazard Identification", and employees' health "Respiration Protection".

##### 2. Long-term Training:

The Company has established internal and external, instructor lead professional training programs, the cost of which are borne by the Company. In addition, to support the government's "Internship Program for high school graduates", the Company executes young people education project and employment savings account program.

##### 3. Overseas Training:

Employees' handling customer complaints, receiving orders, or responsible for company approved project related international travel, the cost of business travel will be borne by the Company.

##### 4. Assigned Training (In Compliance with Legal Requirements):

In 2020, the assigned courses were as below: "Safety and Health Education and Trainings Specified for First Aid Personnel", "Wastewater and Sewage Treatment Specialists Training", "Operator in charge of hoisting fixed cranes with hoisting capacity of 3 tons and below", "Operators using cranes for slinging operations", "radiation facility operation personnel training", etc.

#### 5. Special Training (Special Project Training as required to conduct business):

In 2020, the assigned courses were as below: "Coal-fired steam boiler operation", "hydraulic Pallet Truck Operation Standards", "Forklift Operation Safety Standards", "Pressure Vessel Handling Operations", "Instrument Calibration and Quality management", "Oil Preparation Work Norms", "Desizing Machine Operation and Troubleshooting Abnormalities", "Dropping and Winding operation standards", etc.

#### 5.4 Pension System

1. The Company has established a retirement plan in accordance with the Labor Standards Law and established the Labor Pension Fund Supervisory Committee to regularly monitor the allocation status of the pension fund and review of the retirement applications.
2. In addition to setting up the retirement plan in accordance with the Labor Standards Law, the Company also designed better retirement measures for employees.
3. Starting from 1 July 2005, in accordance with the government's implementation of the Labor Pension Act (hereinafter referred to as the "new system"), the Company has been making monthly contributions to the designated pension accounts of the Labor Insurance Bureau for employees who choose the new system.

#### 5.5 As of now, there has been no labor dispute occurred in the Company.

### 6. Material Contracts

Nature of Contract	Party	Effective Period	Main Content	Restriction Terms
Long-term Loan Agreement	Bank of Taiwan	7 March 2004 ~ 12 Feb 2022	Changhwa Nylon Plant and land were used as collaterals to make a loan of NTD1 billion. Starting from 14 Aug 2016, every 6 months, one instalment is paid back; for the first 9 payment terms, each repayment is NTD55 million. The remaining principal shall be paid in full when the loan is due.	None
Long-term Loan Agreement	Bank of Taiwan	29 June 2016 ~ 14 Feb 2022	Changhwa Nylon Plant and land were used as collaterals to make a loan of NTD987 million. Loan interest shall be paid on monthly basis. Repayment started from 14 Aug 2017; every 6 months, one instalment is paid back; for the first 7 payments, each repayment is NTD70 million. The remaining principal shall be paid in full when the loan is due.	None
Long-term Loan Agreement	Chang Hwa Commercial Bank	29 Dec 2017 ~ 29 Dec 2022	Taipei company building is used as collateral to make a loan of NTD400 million. Loan interest is required to be paid on monthly basis. From 29 March 2019, every 3 month is one repayment term; in total, there are 16 terms, averaging principal repayments.	None
Long-term Loan Agreement	Chang Hwa Commercial Bank	30 Dec 2020 ~ 30 Dec 2023	Taipei company building is used as collateral to make a loan of NTD375 million. Loan interest is required to be paid on monthly basis. The total principal is to be paid when the loan is matured.	None
Long-term Loan Agreement	KGI Commercial Bank	29 Dec 2020 ~ 29 Oct 2022	Taipei company long-term credit loan with month interest payment; total principal, NTD500 million. The principal is to be paid when the loan is matured.	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 – International Financial Reporting Standards (Individual)

Unit: NTD1000

Item \ Year (Note1)		Financial Information of the Past 5 Years				
		2016	2017	2018	2019	2020
Current Assets		11,353,208	8,859,751	8,057,663	7,465,967	6,088,742
Property, Plant, Equipment (Note 2)		6,960,631	6,769,984	6,255,812	6,006,963	5,518,193
Intangible Assets		14,033	17,335	12,580	9,630	8,055
Other Assets		3,489,306	4,075,195	3,826,069	3,872,763	5,478,157
Total Assets		21,817,178	19,722,265	18,152,124	17,355,323	17,093,147
Current Liabilities	Before Distribution	9,057,454	6,489,079	5,751,246	6,574,025	5,352,555
	After Distribution	9,057,454	6,489,079	5,934,144	6,574,025	Note 3
Non-current Liabilities		3,037,265	3,197,211	2,603,109	1,511,665	2,258,701
Total Liabilities	Before Distribution	12,094,719	9,686,290	8,354,355	8,085,690	7,611,256
	After Distribution	12,094,719	9,686,290	8,537,253	8,085,690	Note 3
Consolidated Net Income Attributed to Stockholders of the Company		9,722,459	10,035,975	9,797,769	9,269,633	9,481,891
Capital Stock		9,144,872	9,144,872	9,144,872	9,144,872	9,144,872
Capital Surplus		104,051	117,796	117,015	134,044	134,620
Retained Earnings	Before Distribution	1,370,945	1,177,583	1,332,323	879,221	466,089
	After Distribution	1,370,945	1,177,583	1,149,425	879,221	Note 3
Other Equity		(539,671)	(46,538)	(364,038)	(456,101)	168,713
Treasury Stocks		(357,738)	(357,738)	(432,403)	(432,403)	(432,403)
Non-Controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	9,722,459	10,035,975	9,797,769	9,269,633	9,481,891
	After Distribution	9,722,459	10,035,975	9,614,871	9,269,633	Note 3

Note 1: The above financial information of various years has been audited by the independent auditor.

Note 2: The Company has conducted the land re-appraisal on 31 Oct 2011, the amount of which was NTD478,404 thousand.

Note 3: The Loss Offset Proposal has not been approved by the AGM of 2020.



## Condensed Balance Sheet – International Financial Reporting Standards (Consolidated)

Unit: NTD1000

Year (Note 1) Item		Financial Information of the Past 5 Years					Financial Information As of 31 March 2021 (Note 1)
		2016	2017	2018	2019	2020	
Current Assets		11,947,855	9,310,679	8,558,411	7,915,967	6,751,925	6,671,602
Property, Plant, Equipment (Note 2)		7,006,323	6,811,759	6,295,000	6,041,544	5,550,279	5,426,991
Intangible Assets		14,033	17,691	12,789	9,697	8,055	7,250
Other Assets		3,486,188	4,253,166	3,947,149	3,946,293	5,534,548	5,358,300
Total Assets		22,454,399	20,393,295	18,813,349	17,913,501	17,844,807	17,464,143
Current Liabilities	Before Distribution	9,048,128	6,345,966	5,670,238	6,400,331	5,156,420	4,794,681
	After Distribution	9,048,128	6,345,966	5,853,136	6,400,331	Note 3	-
Non-current Liabilities		3,037,762	3,197,702	2,603,591	1,512,635	2,259,172	2,332,250
Total Liabilities	Before Distribution	12,085,890	9,543,668	8,273,829	7,912,966	7,415,592	7,126,931
	After Distribution	12,085,890	9,543,668	8,456,727	7,912,966	Note 3	-
Consolidated Net Income Attributed to Stockholders of the Company		9,722,459	10,035,975	9,797,769	9,269,633	9,481,891	9,455,261
Capital Stock		9,144,872	9,144,872	9,144,872	9,144,872	9,144,872	9,144,872
Capital Surplus		104,051	117,796	117,015	134,044	134,620	133,726
Retained Earnings	Before Distribution	1,370,945	1,177,583	1,332,323	879,221	466,089	618,410
	After Distribution	1,370,945	1,177,583	1,149,425	879,221	Note 3	-
Other Equity		(539,671)	(46,538)	(364,038)	(456,101)	168,713	(9,344)
Treasury Stocks		(357,738)	(357,738)	(432,403)	(432,403)	(432,403)	(432,403)
Non-Controlling Interests		646,050	813,652	741,751	730,902	947,324	881,951
Total Equity	Before Distribution	10,368,509	10,849,627	10,539,520	10,000,535	10,429,215	10,337,212
	After Distribution	10,368,509	10,849,627	10,356,622	10,000,535	Note 3	-

Note 1: The above financial information of various years has been audited by the independent auditor. The consolidated companies' financial information has been reviewed by the independent auditor on 31 March 2021.

Note 2: The parent company, Li Peng Enterprise Co., Ltd., has conducted the land re-appraisal on 31 Oct. 2011, the amount of which was NTD478,404 thousand.

Note 3: The Loss Offset Proposal has not been approved by the AGM of 2020.

**Condensed Statement of Comprehensive Income –  
International Financial Reporting Standards (Individual)**

Unit: NTD1000  
(Except EPS (Loss Per Share))

Item \ Year(Note2)	Financial Information of the Past 5 Years				
	2016	2017	2018	2019	2020
Operating Revenues	14,163,161	16,364,708	17,402,672	14,452,347	10,369,775
Gross Profit	627,752	833,329	293,683	364,229	196,233
Operating Income (Loss)	(13,563)	168,920	(361,870)	(297,467)	(359,968)
Non-Operating Income (Expenses)	(59,508)	(424,356)	507,523	(24,620)	(173,838)
Income before Income Tax	(73,071)	(255,436)	145,653	(322,087)	(533,806)
Net Income (Loss) from Continued Department	(85,780)	(186,101)	161,957	(249,366)	(412,009)
Loss from Discontinued Department	0	0	0	0	0
Net Profit (Loss) of the Current Term	(85,780)	(186,101)	161,957	(249,366)	(412,009)
Other Comprehensive Income (Loss) of the Current Term (Net of Tax)	(205,311)	485,872	(331,739)	(112,880)	623,691
Total Comprehensive Income (Loss) of the Current Term	(291,091)	299,771	(169,782)	(362,246)	211,682
Net Income (Loss) Attributable to Owner of the Company	-	-	-	-	-
Net Income (Loss) Attribute to non-controlling Interests	-	-	-	-	-
Total Comprehensive Income (Loss) Attribute to Owner of the Company	-	-	-	-	-
Total Comprehensive Income (Loss) attribute to non-controlling Interests	-	-	-	-	-
EPS (Loss per Share) (Note 1)	(0.10)	(0.21)	0.19	(0.29)	(0.48)

Note 1: The above calculation of EPS is retroactively adjusted.

Note 2: The information declared in the above table has been audited by the independent auditors.

**Condensed Statements of Comprehensive Income**  
**International Financial Reporting Standards (consolidated)**

Unit: NTD1000  
(Except EPS (Loss Per Share))

Item \ Year(Note 2)	Financial Information of the Past 5 Years					Financial Information As of 31 March 2021 (Note 3)
	2016	2017	2018	2019	2020	
Operating Revenues	14,282,759	16,591,706	17,599,267	14,579,347	13,559,461	5,878,346
Gross Profit	656,792	888,618	335,749	378,093	234,568	386,503
Operating Income (Loss)	(8,733)	180,163	(360,753)	(309,853)	(356,736)	200,843
Non-Operating Income (Expenses)	(36,607)	(430,891)	531,692	(2,894)	(176,123)	(7,534)
Income (Loss) before Income Tax	(45,340)	(250,728)	170,939	(312,747)	(532,859)	193,309
Net Income (Loss) from Continued Department	(61,824)	(186,493)	186,438	(244,051)	(414,333)	153,997
Loss from Discontinued Department	0	0	0	0	0	0
Net Profit (Loss) of the Current Term	(61,824)	(186,493)	186,438	(244,051)	(414,333)	153,997
Other Comprehensive Income (Loss) of the Current Term (Net of Tax)	(263,606)	653,866	(428,121)	(129,039)	830,872	(245,106)
Total Comprehensive Income (Loss) of the Current Term	(325,430)	467,373	(241,683)	(373,090)	416,539	(91,109)
Net Income (Loss) Attributable to Owner of the Company	(85,780)	(186,101)	161,957	(249,366)	(412,009)	152,133
Net Income (Loss) Attribute to non-controlling Interests	23,956	(392)	24,481	5,315	(2,324)	1,864
Total Comprehensive Income (Loss) Attribute to Owner of the Company	(291,091)	299,771	(169,782)	(362,246)	211,682	(25,736)
Total Comprehensive Income (Loss) attribute to non-controlling Interests	(34,339)	167,602	(71,901)	(10,844)	204,857	(65,373)
EPS (Loss per Share)(Note 1)	(0.10)	(0.21)	0.19	(0.29)	(0.48)	0.18

Note 1: The above calculation of EPS is retroactively adjusted.

Note 2: The financial information of the various years disclosed in the above table has been audited by the independent auditors.

Note 3: The Information disclosed as of 31 March 2021 has been reviewed by the Independent auditors.

## 1.2 Names and Opinions of Independent Auditors in the Most Recent Five Years

Year	2016	2017	2018	2019	2020
CPA	Chiu, Ming-Yu	Chiu, Ming-Yu	Chiu, Ming-Yu	Wu, Ke Chang	Wu, Ke Chang
	Yu, Hong-Bin	Wu, Ke Chang	Wu, Ke Chang	Chiu, Ming-Yu	Chiu, Ming-Yu
Auditing Opinion	Unmodified Opinion	Unmodified Opinion	Unmodified Opinion	Unmodified Opinion	Unmodified Opinion

## 2. Financial Ratio Analysis for Recent Five Years

### Financial Information based on International Financial Reporting Standards (Individual Statement)

Analysis Item (Note 2)		Year (Note 1)	Financial Analysis of the Past 5 Years				
			2016	2017	2018	2019	2020
Financial Structure (%)	Ratio of liabilities to assets		55.43	49.11	46.02	46.58	44.52
	Ratio of long-term capital to property, plant and equipment		183.31	195.46	198.22	179.48	212.76
Liquidity Analysis (%)	Current Ratio		125.34	136.53	140.10	113.56	113.75
	Quick Ratio		100.18	89.49	78.23	74.24	75.52
	Interest Coverage Ratio		0.21	(1.26)	2.81	(3.92)	(8.25)
Operating Ability	Accounts Receivables Turnover (Times)		5.33	4.51	4.73	5.49	4.9
	Average Collection Turnover (Times)		68.48	80.93	77.16	66.48	74.48
	Inventory Turnover Days (Times)		5.07	5.93	5.29	4.70	4.50
	Accounts Payables Turnover (Times)		10.14	9.40	9.33	12.05	13.93
	Average Days in Sales (Days)		71.99	61.55	68.99	77.65	81.11
	Property, Plant, and Equipment Turnover (Times)		2.19	2.38	2.67	2.35	1.79
	Total Assets Turnover (Times)		0.66	0.78	0.91	0.81	0.60
Profitability Analysis	Return on total assets(%)		(0.04)	(0.44)	1.19	(1.11)	(2.12)
	Return on stockholders' equity(%)		(0.87)	(1.88)	1.63	(2.61)	(4.39)
	Pre-tax income to paid-in capital (%)		(0.79)	(2.79)	1.59	(3.52)	(5.83)
	Profit Ratio(%)		(0.60)	(1.13)	0.93	(1.72)	(3.97)
	Earnings Per Share (Loss per share)(NTD)(Note 3)		(0.10)	(0.21)	0.19	(0.29)	(0.48)
Cash Flow (Note 4)	Cash flow ratio(%)		0	31.03	40.37	14.12	19.63
	Cash flow adequacy ratio(%)		72.55	68.48	90.59	92.96	122.15
	Cash reinvestment ratio(%)		0	8.51	9.96	3.36	4.46
Leverage	Operating Leverage		(170.37)	10.95	(5.14)	(8.80)	(7.57)
	Financial Leverage		0.12	2.99	0.81	0.81	0.86

Note 1: The financial information of the various years disclosed in the above table has been audited by the independent auditors.

Note 2: The formulas of various financial ratios as follows:

#### 1. Financial Structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio =(Total equity +non-current liabilities) / Net property, plant and equipment

#### 2. Liquidity

- (1) Current ratio =Current assets / Current liabilities
- (2) Quick ratio = (Current assets – inventory – prepaid expenses) / Current liabilities
- (3) Times interest earned = Net Income before tax and interest expenses / Interest expenses

#### 3. Operating Ability

- (1) Account receivable turnover (including accounts receivable and notes receivable) = Net sales / Average account receivable (including account receivable and notes receivable) balance
- (2) Days sales outstanding = 365 / Receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory
- (4) Account payable turnover (including accounts payable and notes payable) =Cost of goods sold /Average account payable (including account payable and notes payable) balance
- (5) Inventory turnover days = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment

(7) Total assets turnover = Net sales / Average total assets

4. Profitability

(1) Return on total assets = [Net income after tax + interest expense x (1-interest rate)] / Average total assets]

(2) Return on total equity = Net income after tax / Average shareholders' equity

(3) Pre-tax income to paid-in capital ratio = Income before tax / paid-in capital

(4) Net margin = Net income / Net sales (Note 3)

(5) Earnings per share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow (Note 4)

(1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

(1) Operating leverage = (Operating revenues – variable cost and expense) / Operating Income

(2) Financial leverage = Operating income / (Operating income – interest expenses)

Note 3: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. It should be based on the weighted average number of shares of common stock rather than the number of shares issued at the end of the year.
2. Where there is cash replenishment or treasury stock transaction, its circulation period should be considered when calculating the weighted average number of shares.
3. In the case of capital increase through surplus or through capital reserve, the annual and semi-annual earnings per share of the previous years shall be retrospectively adjusted as per the proportion of capital increase without considering its issuance period.
4. If the preferred share cannot be converted into cumulative preferred share, then the dividend of the year (whether paid or not) is deducted from net income after tax (NIAT), or included as a net loss after tax. If a preferred stock is designated as non-cumulative, the dividend on it should be deducted from the net profit after tax if the balance sheet has profit after tax; dividend is not paid in case of loss.

Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities is the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure is the annual cash outflow of capital investment.
3. The increase in inventory is counted only when the balance at the end of the period is greater than at the beginning. If the inventory decreases at the end of the year, it is considered as zero.
4. Cash dividends include the cash dividends of common stocks and preferred stocks.
5. Gross value of PP&E shall refer to the total value of PP&E minus accumulated depreciation.

Note 5: The Company has classified the operating costs and operating expenses as fixed or variable in accordance with their nature.

## Financial Information based on International Financial Reporting Standards (Consolidated Statement )

Analysis Item (Note 3)		Financial Analysis of the Past 5 Years					Financial Information As of 31 March 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial Structure (%)	Ratio of liabilities to assets	53.82	46.79	43.97	44.17	41.55	40.80
	Ratio of long-term capital to property, plant and equipment	191.34	206.22	208.78	190.56	228.60	233.45
Liquidity Analysis (%)	Current Ratio	132.04	146.71	150.93	123.68	130.94	139.14
	Quick Ratio	106.05	98.05	87.62	82.75	89.49	89.13
	Interest Coverage Ratio	0.51	(1.26)	3.11	(3.90)	(8.43)	19.36
Operating Ability	Accounts Receivables Turnover (Times)	6.52	6.29	6.80	7.18	6.84	11.28
	Average Collection Turnover (Times)	55.98	58.02	53.67	50.83	53.36	32.36
	Inventory Turnover Days (Times)	5.03	5.87	5.29	4.70	5.75	9.96
	Accounts Payables Turnover (Times)	10.22	9.42	9.24	11.81	15.76	14.88
	Average Days in Sales (Days)	72.56	62.18	68.99	77.65	63.47	36.65
	Property, Plant, and Equipment Turnover (Times)	2.19	2.40	2.68	2.36	2.33	4.28
	Total Assets Turnover (Times)	0.64	0.77	0.89	0.79	0.75	1.32
Profitability Analysis	Return on total assets(%)	0.06	(0.44)	1.28	(1.05)	(2.06)	0.91
	Return on stockholders' equity(%)	(0.58)	(1.75)	1.74	(2.37)	(4.05)	1.48
	Pre-tax income to paid-in capital (%)	(0.49)	(2.74)	1.86	(3.41)	(5.82)	2.11
	Profit Ratio(%)	(0.43)	(1.12)	1.05	(1.67)	(3.05)	2.61
	Earnings Per Share (Loss per share)(NTD)(Note4)	(0.10)	(0.21)	0.19	(0.29)	(0.48)	0.18
Cash Flow (Note 5)	Cash flow ratio(%)	0	41.75	44.87	7.33	13.48	9.62
	Cash flow adequacy ratio(%)	58.91	65.78	87.62	83.24	112.14	112.66
	Cash reinvestment ratio(%)	0	10.81	10.57	1.32	2.83	1.86
Leverage	Operating Leverage	(277.32)	11.42	(5.66)	(8.84)	(16.56)	18.45
	Financial Leverage	0.08	2.59	0.81	0.82	0.86	1.05

Reasons for changes over 20% in various financial ratios in the most recent two fiscal years:

- The change in "Interest Coverage Folds" for the most recent two fiscal years was due to the decrease of "net income before tax and interest expense" in 2020 compared with 2019.
- The Inventory Turnover Ratio and Payable Turnover Ratio in 2020 are higher than 2019, while Operating Leverage in 2020 is lower than 2019. This was affected by China's long-term over capacity in CPL production over 10 years, leading to low price pressure from the market competition. Due to the global COVID-19 pandemic situation and uncertainty around nylon industry downstream customers are hesitant in placing orders as the economic outlook is still uncertain. As a result, the Company's raw material purchase volume and average purchase price decreased in 2020 compared to 2019. As the year-end inventory and accounts payable was reduced, the inventory turnover ratio and accounts payable turnover ratio increased compared to 2019.
- The change in the financial ratio of profitability between the two years was mainly due to the increase in after-tax loss in 2020 compared to 2019. Due to continuous appreciation of New Taiwan dollar in 2020, foreign exchange losses increased significantly compared to 2019, which resulted in a decrease in various financial ratios of profitability.
- The cash flow ratio and cash reinvestment ratio increased in 2020 compared with 2019. This was mainly due to the increase in net cash inflow from operating activities in 2019. The increase in the cash flow ratio was mainly due to the decrease in capital expenditures in the last five years.

Note 1: The financial information of the various years disclosed in the above table has been audited by the independent auditors.

Note 2: The Information disclosed as of 31 March 2021 has been reviewed by the Independent auditors.

Note 3: The formulas of various financial ratios as follows:

1. Financial Structure

(1) Debt ratio = Total liabilities / Total assets

(2) Long-term fund to property, plant and equipment ratio =(Total equity +non-current liabilities) / Net property, plant and equipment

2. Liquidity

(1) Current ratio =Current assets / Current liabilities

(2) Quick ratio = (Current assets – inventory – prepaid expenses) / Current liabilities

(3) Times interest earned = Net Income before tax and interest expenses / Interest expenses

3. Operating Ability

(1) Account receivable turnover (including accounts receivable and notes receivable) = Net sales / Average account receivable (including account receivable and notes receivable) balance

(2) Days sales outstanding = 365 / Receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Account payable turnover (including accounts payable and notes payable) =Cost of goods sold /Average account payable (including account payable and notes payable) balance

(5) Inventory turnover days = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment

(7) Total assets turnover = Net sales / Average total assets

4. Profitability

(1) Return on total assets = [Net income after tax + interest expense x (1-interest rate)] / Average total assets]

(2) Return on total equity = Net income after tax / Average shareholders' equity

(3) Pre-tax income to paid-in capital ratio = Income before tax / paid-in capital

(4) Net margin = Net income / Net sales (Note 3)

(5) Earnings per share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow (Note 4)

(1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

(1) Operating leverage = (Operating revenues – variable cost and expense) / Operating Income

(2) Financial leverage = Operating income / (Operating income – interest expenses)

Note 4: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. It should be based on the weighted average number of shares of common stock rather than the number of shares issued at the end of the year.
2. Where there is cash replenishment or treasury stock transaction, its circulation period should be considered when calculating the weighted average number of shares.
3. In the case of capital increase through surplus or through capital reserve, the annual and semi-annual earnings per share of the previous years shall be retrospectively adjusted as per the proportion of capital increase without considering its issuance period.
4. If the preferred share cannot be converted into cumulative preferred share, then the dividend of the year (whether paid or not) is deducted from net income after tax (NIAT), or included as a net loss after tax. If a preferred stock is designated as non-cumulative, the dividend on it should be deducted from the net profit after tax if the balance sheet has profit after tax; dividend is not paid in case of loss.

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities is the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure is the annual cash outflow of capital investment.
3. The increase in inventory is counted only when the balance at the end of the period is greater than at the beginning. If the inventory decreases at the end of the year, it is considered as zero.
4. Cash dividends include the cash dividends of common stocks and preferred stocks.
5. Gross value of PP&E shall refer to the total value of PP&E minus accumulated depreciation.

Note 6: The Company has classified the operating costs and operating expenses as fixed or variable in accordance with their nature.

### **3. Audit Committee's Audit Report in the Most Recent Fiscal Year**

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 Financial Statements audited by Certified Public Accountants of Deloitte & Touche. An opinion and report have been issued on the financial statements. After reviewing the business report, loss offset proposal, along with the financial statements, and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 14-4 of Security and Exchange Act and Article 219 of Company Act and submitted for your approval.

Submitted to

The Company's 2021 Annual Shareholders' Meeting

Li Peng Enterprise Co., LTD.

Convenor of the Auditor Committee

Lin, Yao-Chuan

29 March 2021

**4. Financial Statements of the most recent fiscal year:** Please refer to p.82 to p.168

**5. Individual Financial Statements audited by the CPAs in the most recent fiscal year:**

Please refer to p.169 to p.245

**6. If the Company and affiliated companies had experienced financial difficulties, the Company should report the impact to financial status of the Company by the date of publication of this Annual Report:** None.



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

### 1. Financial Status

Review and analysis on financial status

Unit: NTD1000

Item \ Year	2019	2020	Difference	
			Amount	%
Current Assets	7,915,967	6,751,925	(1,164,042)	(14.70)
Non-Current Assets	9,997,534	11,092,882	1,095,348	10.96
Current Liabilities	6,400,331	5,156,420	(1,243,911)	(19.44)
Non-Current Liabilities	1,512,635	2,259,172	746,537	49.35
Total Stockholders' Equity	10,000,535	10,429,215	428,680	4.29
Analysis of Changes over 20% in financial ratios: Non-current liabilities in 2020 increased, compared to 2019 is because the Company reduced short-term loans and makes more long-term loans.				

### 2. Financial Performance

Analysis of Financial Performance Table

Unit: NTD1000

Item	2019	2020	Increase (Decrease) Amount	Difference Ratio (%)
Gross Sales	14,579,347	13,559,461	(1,019,886)	(7.00)
Cost of Sales	14,201,182	13,324,652	(876,530)	(6.17)
Gross Profits (Loss)	378,165	234,809	(143,356)	(37.91)
Unrealized profit s(loss) on transactions with associates	(72)	(241)	(169)	(234.72)
Operating Expenses	687,946	591,304	(96,642)	(14.05)
Operating Income (Loss)	(309,853)	(356,736)	(46,883)	(15.13)
Non-operating Income and Losses	(2,894)	(176,123)	(173,229)	(5,985.80)
Income before Tax	(312,747)	(532,859)	(220,112)	(70.38)

#### 2.1 The main reasons for the significant changes in operating income, operating profit and income before tax for the most recent two years.

1. The main reason for the increase in net operating loss in this fiscal year was mainly due to the decrease of NTD231,035 thousand in operating gross profit for the textile department. The operating gross profit increased NTD55,833 thousand in the Nylon department, and a total gross profit increase of NTD31,846 thousand for the other departments in combined. The analysis of the gross profit changes for the textile department is shown in the below Table:

Unit: NTD1000

Operating Gross Profit	Changes of increase or decrease in relation to the prior or later period	Reasons for Differences			
		Price Difference	Cost Difference	Sales Mix Difference	Volume Difference
	(231,035)	114,588	(188,683)	(468,220)	311,280
Explanation	The Company's gross profit in 2020 decreased compared to 2019. The Main reason is due to negative impact from the sales mix difference and higher costs. Despite we have raised unit price, it is still not enough to offset the adverse influence.				

2. The decrease in "non-operating income and expenses" of about NTD173 million was mainly due to new Taiwan dollar's continuing appreciation in 2020, which resulted in loss increasing in foreign currency exchange.

## 2.2 Sales volume forecast and the basis therefor and the effect upon the Company's financial operations as well as measures to be taken in response:

The Company does not disclose the financial forecast for the year of 2021. Therefore, it does not intend to reveal the estimate sales volume.

## 3. Cash Flow

### 3.1 Cash Flow Analysis

Unit: NTD1000

Cash at the Beginning of Year	Full Year Net Cash Flow from Operating Activities	Full Year Net Cash Outflow	Cash Surplus (Deficit)	Remedy for Cash Shortage	
				Investment Plan	Financial Plan
2,833,122	695,096	3,790,566	1,359,763	235,111	1,387,000

### 3.2 Analysis of change in cash flow in the current year:

In 2020, There was cash outflow of NTD3,790,566 thousand, because the Company repaid long-term and short-term loans and acquired affiliated companies. The response measure we took is to make new long-term and short-term loans to replenish the need for capital.

### 3.3 Cash Flow Analysis for the coming year

Cash at the Beginning of Year	Full Year Net Cash Flow from Operating Activities	Full Year Net Cash Outflow	Cash Surplus (Deficit)	Cash Surplus (Deficit)	
				Investment Plan	Financial Plan
1,359,763	1,749,424	2,960,040	149,147	-	-

## 4. Effect of Major capital expenditure on financial operations in the most recent year: None.

## 5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

### 5.1 Investment Policy in the Most Recent Year

- On 13 April 2020, the Company's Board of Directors approved the proposal of acquiring stock options of PT. INDONESIA LIBOLON FIBER SYSTEM at the price of USD16,420,138. In the same year, in June, the Company participated in cash capital increase for common shares issuance in proportion to the shareholding at PT. INDONESIA LIBOLON FIBER SYSTEM with USD9,000 thousand. The main business line of PT. INDONESIA LIBOLON FIBER SYSTEM is weaving, dyeing, processing and trading of synthetic fiber fabrics.

The purpose of the investment is to expand into the Indonesian market, collaborate with local branded garment manufacturers and to add additional production lines for the Company. In the future, irrespective of the order being manufactured in Taiwan or in Indonesia, the production will be maintained at standardized high-quality.

2. In 2020, the Company invested about NTD21 million in LIBOLON Energy, whose main business is self-usage power generation equipment utilizing renewable energy. Based on the concept of green energy, the Company entered the field of green power generation, such as wind power. This shows the Group's vision of planning in line with global environmental trends and thus win orders for global clients. In the future, LIBOLON is planning to build a wind power plant in the outskirt areas near Fang Yuan township and Erlin township in Changhua County, to supply the power required for the Group's production.
3. To look for diversification and move toward vertical integration, in 2020, we invested NTD9 million in Eton Petrochemical, which is in the business of wholesale of chemical feedstock. The fundamental business model is that of commodity trading. In other words, Eton purchases related chemicals from large petroleum companies or from international petroleum trading companies to supply to the fabric manufacturers in the upper stream of the textile industry, who need raw materials for production, such as PTA and CPL.

## 5.2 Main Reasons for Loss in Investment

As LIBOLON Energy has not yet been officially in operation, in 2020 a loss was recorded.

## 5.3 Investment Plans for the Future Year

The Company shall evaluate investment plans from long-term strategic point of views with prudence in responses to future demand for market growth and capacity expansion and continuously strengthen our market competitiveness.

## 6. The Following Risk Matters shall be Assessed and Analyzed:

### 6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Profit and loss, and Future Response Measures

In 2021, COVID-19 pandemic situation will still significantly impact the global economy. It is foreseeable that all countries would still use quantitative easing to boost the economy. Since last March, Taiwan's Central Bank has lowered the interest rate at 0.25% point and has maintained the interest rate till now, the Company will closely monitor the pandemic situation and the Central Bank's movement to make plans in advance to hedge interest rate risks. In the foreign exchange market, as Taiwan has been able to control the COVID-19 infection rate, the economic activity has been relatively active stable. As a result, foreign institutional investors have made capital investment in Taiwan and Taiwan businessmen have returned to invest within Taiwan. The Company will closely monitor the possible impact of foreign exchange market and manage the risk of the exchange rate based on the actual income and expenditure of the US dollar in the future.

### 6.2 Policies on High Risk, Highly Leveraged Investments, Loans to other Parties, Endorsements, and Derivative Trading Policies, main Reasons for Profits or Losses, and Future Response Measures:

In the recent years, the financial management of the Company and our subsidiaries has been prudent. We do not conduct any high risk or highly leverage investment. There has never been any endorsement guarantee incident either. On loaning funds to others and on conducting derivatives trading transactions, the Company and the subsidiaries of the Company have stipulated comprehensive related policies and internal control procedures to regulate these activities and have to report to the Board of Directors on regular basis on the status of loaning funds to others and profit and loss updates of derivative trading transactions.

**6.3 Future Research & Development Projects and Corresponding Budget**

Research Item	Budget Research Expenditure (NTD1000)
Nylon Chips	8,300
Engineering Plastics	25,000
Eco-friendly Dope Dyed Yarn	8,300
Modified Nylon Fibre	8,300
Special Function Fibre	40,000
Other	23,100

**6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad and measures to be taken in response.**

The Company's financial operations are all handled in accordance with related regulatory requirements. As of today, all important domestic policies and legal changes have no major effects on the Company's financial operations. In the future, the Company will pay attention to all relation information and will obtain relevant information and new on timely basis to study and come up with necessary responsive measures to meet the operation requirements of the Company.

**6.5 Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.**

1. In the recent years, manufacturers of CPL and Nylon slices have expanded capacity significantly and lately the China market has reached self-sufficient. The only small gap which remains unsatisfied is the high-end special function nylon slice. We will maximize the opportunity to keep selling our nylon slice to Mainland China. Recently we have successfully developed non fiber applications, such as thin filament, film, engineering plastic, etc. We have seen steady growth of orders in these products. We will use this opportunity to gradually increase the manufacturing facility utilization of nylon chips.
2. To increase our competitive advantage and to increase the sophistication of our products, in the recent years, we retired old type of water-jet looms, and purchased new Broad Width water-jet looms. Among those new machines, 40 sets are used to produces stretch cloth to create flexibility for order combination. With installation of new machines, we are able to improve production efficiency, lower overall manufacturing costs, allowing new development possibilities for special equipment, such as Dual Beam or Picks of multiple colours. In 2021, we began to see good marketing results through a focused sales effort on the 3- meter width blackout fabric, flame retardant series and sofa fabric for domestic sales.

Due to ongoing disruption caused by tCOVID-19 pandemic in 2021, all the garment brands, household textiles and trouser fabrics are prone to be more conservative in running their business and we expect to see downward revision of orders from customers. We expect the year 2021 will be more challenging to all of us. We will response with prudence by lowering inventory and continuously developing new products. Once the pandemic subsides, we would be well placed to lead competition and make profits.

**6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.**

The Company has always been operating on stability and integrity to continuously deepening the strength and capability of the management team. Our corporate image is sound and fair. No major change is foreseen.

**6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.**

**6.8 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:**

There was no plant expansion in 2020.

**6.9 Risks associated with any consolidation of sales or purchasing operations and mitigation measures being or to be taken.**

**1. Explanation of Purchase Consolidation:**

The Company has established long-term partnership relationship with upstream suppliers. We have adopted multiple supplier strategy with multiple supply resources and all of them signed contracts with us. Therefore, there is no consolidation of purchase situation.

**2. Explanation of Sales Consolidation:**

The Company has set a credit limit for each customer and strictly control collection of payment from each customer. Meanwhile, we actively explore new customers and new geographic areas to spread the risk of sales concentration or the operation impact of losing single largest customer.

**6.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:**

There is no significant transfer or change of ownership.

**6.11 Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:**

None.

**6.12 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:**

There is no litigious, non-litigious matters, nor administrative disputes.

**6.13 Analysis of Information Security Management System and Mitigation Measurements**

In order to strengthen information security management system, Company Regulations has stipulated related articles as the source of the principles to regulate the operation of information security. The Company will conduct regular off-site backup systems and disaster recovery mechanism drills to ensure the integral of the overall data base. In addition, we will make hard copy and soft copy of all the software & critical files and conduct regular inventory check to ensure reasonable and appropriate usage. We will also review the legitimacy of the authority of the personnel to be granted for the accessibility to the information. All these practices are to ensure that our information system, operation, facilities, and the Internet system are safe and reliable.

We conduct regular exercises of off-site backup systems and disaster recovery mechanisms to ensure the integrity of information services, create a register of management software and hardware and conduct regular inventories to ensure reasonable use and the most appropriate performance, and regularly review the reasonableness of the authority of personnel according to the division of responsibilities and authority.

**6.14 Other important risks, and mitigation measures being or to be taken: None.**

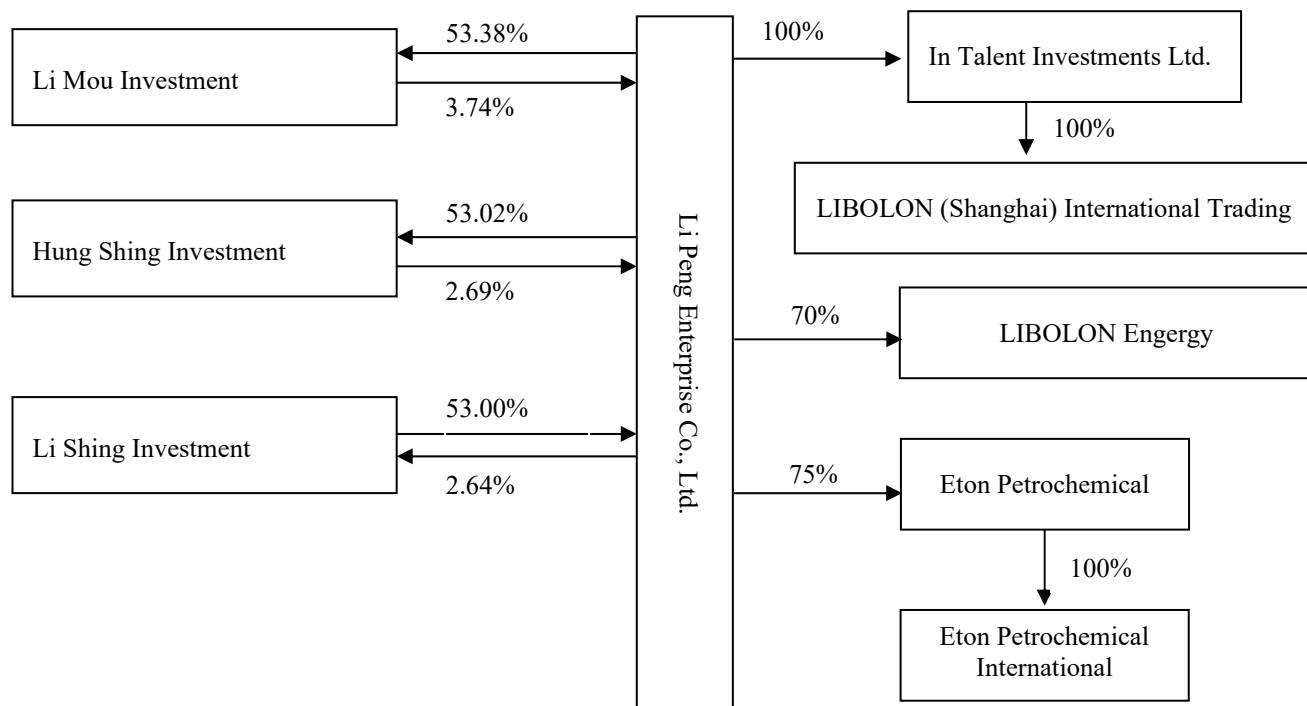
**7. Other important matters: None**

## VIII. Special Disclosure

### 1. Subsidiaries

#### 1.1 Subsidiaries' consolidated business reports

##### 1. The organization chart of subsidiaries



##### 2. Name, Date of Establishment, Address, Paid-in Capitals, and Main Business Items:

Name	Date of Establishment	Date of Investment	Address	Paid-in Capitals	Main Business Items
In Talent Investments Limited	28 July 2005	23 Jan 2006	Offshore Chambers, P.O. Box 217, Apia, Samoa	USD2,000 thousand	Investment
LIBOLON (Shanghai) International Trading	4 Jan 2006	23 Jan 2006	Room 532, 5 <sup>th</sup> Floor, No. 88, Taigu Road, Waigaoqiao Free Trade Zone, Shanghai City, China	USD2,000 thousand	Wholesales of synthetic fabrics, woven textiles, etc., trading of tangible goods
Li Mou Investment	30 March 1993	30 March 1993	11 <sup>th</sup> Floor, No. 162, Songjiang Road, Taipei City, Taiwan	NTD756,000 thousand	Investment
Hung Shing Investment	17 Jan 1997	17 Jan 1997	11 <sup>th</sup> Floor, No. 162, Songjiang Road, Taipei City, Taiwan	NTD496,000 thousand	Investment
Li Shing Investment	31 March 1998	31 March 1998	11 <sup>th</sup> Floor, No. 162, Songjiang Road, Taipei City, Taiwan	NTD800,000 thousand	Investment
LIBOLON Energy	14 Feb 2020	14 Feb 2020	No. 38, Gongye Road, Houliu Village, Fangyuan Township, Changhwa County	NTD30,000 thousand	Self-usage power generation equipment utilizing renewable energy industry; steam/electricity co-generation system
Eton Petrochemical	9 July 2020	9 July 2020	4 <sup>th</sup> Floor, No. 162, Songjiang Road, Taipei City, Taiwan	NTD12,000 thousand	Wholesales of Chemical Feedstock
Eton Petrochemical International	3 Aug 2020	4 Nov 2020	Vistra Corporate Services Centre, Ground Floor Building, Beach Rd, Apia, Samoa	USD1000	Wholesales of Chemical Feedstock

3. Presumption of a relationship of control or subordination: None.
4. The industries covered by the business operated by the affiliates overall.
- (1) Sales of print paper, figure stained paper, plate moulding; printing, processing and manufacturing businesses;
  - (2) Sales and manufacturing of Synthetic fiber, artificial fiber and its processed goods;
  - (3) Sales and manufacturing of plastic raw materials;
  - (4) Sales of industrial chemicals;
  - (5) Sales and manufacturing of various of artificial, natural textiles, printing fabrics, cotton fabrics, silk, woven fabrics, garment fabrics, false twist woven fabrics; dyeing & finishing, processing businesses;
  - (6) Sales, trading, and manufacturing of natural cotton, linen, silk, wool, synthetic textile, chemical fabrics, blended yarn, woven fabrics, etc.
  - (7) Import & export of all the raw materials listed in the preceding paragraphs;
  - (8) Import & Export trading of cloth;
  - (9) General investment business;
  - (10) Self-usage power generation equipment utilizing renewable energy industry; steam/electricity co-generation system
5. The names of the directors, supervisors, and president of each affiliate and the details of their shareholding or capital contribution in such affiliate:

Name	Title	Name or Representative	Shareholding	
			No. of Shares	%
In Talent Investments Limited.	Director	Li Peng Enterprise Representative: Kuo, Shao-Yi	2,000,000 0	100% 0%
LIBOLON (Shanghai) International Trading	Director	In Talent Investments Limited. Representative: Liu, Chun-Hsien	N/A	100% 0%
Li Mou Investment	Chairman	Li Peng Enterprise Representative: Lin Hsiu Ling	40,356,000 0	53.38% 0%
	Supervisor	LEALEA Enterprise Representative: Chen Yu-Chou	35,244,000 0	46.62% 0%
Hung Shing Investment	Chairman	Li Peng Enterprise Representative: Huang Yi Ping	26,296,000 0	53.02% 0%
	Supervisor	LEALEA Enterprise Representative : Wu, Kun-Ming	23,304,000 0	46.98% 0%
Li Shing Investment	Supervisor	Li Peng Enterprise Representative: Chen, Hui-Chen	42,400,000 0	53.00% 0%
	Supervisor	LEALEA Enterprise Representative : Chen Han-Ching	37,600,000 0	47.00% 0%
LIBOLON Energy	Chairman	Kuo, Shao-Yi	0	0
	Supervisor	Li Peng Enterprise Representative: Tung, Min-Hsiung	2,100,000 0	70.00% 0%
Eton Petrochemical	Chairman	Kuo, Shao-yi	0	0%
	Director	Li Tian Co., Ltd. Representative : Liao Weitong	300,000 0	25.00% 0%
	Director	Li Peng Enterprise Representative: Chen Yu-Chou	900,000 0	75.00% 0%
	Supervisor	Teng Ta-Hung	0	0%
Eton Petrochemical International	Chairman	Eton Petrochemical Representative: Kuo, Shao-Yi	1,000 0	100.00% 0%

## 6. The overview of the operations of the affiliates

Unit: NTD1000

Name of Enterprise	Paid-in Capital	Total Asset Value	Total Liabilities	Total Equity	Operating Income	Net Operating Profit (Loss)	Current Profit (Loss) (after Tax)	EPS (Loss per share) (NTD) (After Tax)
LIBOLON (Shanghai) International Trading (Note2)	65,893	810,909	512,523	298,386	1,200,212	(4,125)	11,804	5.90
Li Mou Investment	756,000	1,079,355	1,546	1,077,809	1,229	987	(292)	(0.004)
Hung Shing Investment	496,000	807,340	383	806,957	4,188	(177)	(331)	(0.01)
Li Shing Investment	800,000	872,187	13,416	858,771	374	(6,283)	(6,427)	(0.08)
LIBOLON Energy	30,000	27,158	263	26,895	0	(3,144)	(3,105)	(2.69)
Eton Petrochemical	12,000	501,970	484,245	17,725	3,054,957	8,561	5,725	4.77
Eton Petrochemical International (Note 3)	29	23	0	23	0	(6)	(6)	(6.00)

Note 1: The above data are the amount that have been readjusted and edited by the Company.

Note 2: Based on the exchange rate on 31 Dec 2020, RMB : TWD = 1 : 4.377.  
while the annual average exchange rate for RMB : TWD = 1 : 4.2817.

Note 3: Based on the exchange rate on 31 Dec 2020, USD : TWD = 1 : 28.48.  
while the annual average exchange rate for USD : TWD = 1 : 29.5332.

## 1.2 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

### Representation Letter

The entities that are required to be included in the combined financial statements of LI PENG ENTERPRISE COMPANY LIMITED as of and for the year ended 31 December 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in the conformity with the International Accounting Standard 10, "Consolidated and Separated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, LI PENG ENTERPRISE COMPANY LIMITED and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,  
Li Peng Enterprise Co., Ltd.  
By

Chairman: Kuo, Shao-Yi

29 March 2021



**2. Private placement of securities of the most recent year up to the publication date of this report:** None.

**3. Holding or disposal of company shares in the most recent fiscal year up to the publication date of this annual report**

**3.1 Holding or disposal of company shares in the most recent fiscal year up to the publication date of this annual report**

Unit: Share/NTD1000

Subsidiary Title	Paid-in Capital	Source of Capital	The Company Shareholding %	Date of Acquisition or Disposition	Number and amount of shares acquired	Number and amount of shares disposed	Gain and loss on investment	Number and amount of shares as of the publication date of this annual report	Pledge Status	Amount of endorsement and guarantees provided to subsidiaries by the company	Loans provided to subsidiaries by this Company
Li Mou Investment	756,000	-	53.38	-	-	None	None	34,177,995 \$420,971	None	None	None
Li Shing Investment	800,000	-	53.00	-	-	None	None	24,152,024 \$292,945	None	None	None
Hung Shing Investment	496,000	-	53.02	-	-	None	None	24,618,087 \$297,630	None	None	None

**3.2 Impacts on the Company's operating results and financial status:** None

**4. Other necessary supplementary notes to be included:** None

**5. Any event which has a material impact on shareholders' rights and interests or the Company's securities as prescribed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:** None

# Consolidated Financial Statements

## Independent Auditor's Report

To Li Peng Enterprise Corporation Limited

### Opinion

We have audited the accompanying consolidated financial statements of Li Peng 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### 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 judgement, 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 we 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 Actual Occurrence of Sales Revenue**

The Company comprises of nylon department, weaving department, and trading department. The sales revenue of the nylon department is the highest among all. Nylon products are mainly traded as commodity and the sales condition varies from client to client. The overall sales revenue of nylon department has shown a decrease in the past year, however, the sales generated from some of the clients have increased. Thus, the auditor will report the transaction condition as non-added letters of credit, and list the sales revenue of nylon products as an item of the key audit matters. Refer to Note 4 to the consolidated financial statements regarding revenue recognition principle.

Our audit procedures related to the evaluation of the above-mentioned key audit matter, include the understanding and sampling of selected internal control design with effectively execution to have identified the transaction of sales revenue.

**Other Matter**

The Company had repared the parent company only financial statements of 2019 and 2020 as for reference, provided with auditor's report by the Company's accountants unmodified opinion on the matter.

**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.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout

the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 and subsidiaries to cease operations.
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 audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated

in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Wu, Ke-Chang

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

Financial Supervisory Commission ROC vetted  
Document no. 1000028068

Chiu, Ming-Yu

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

Financial Supervisory Commission ROC vetted  
Document no. 0930160267

March 31, 2021

Li Peng Enterprise Co Ltd and Subsidiaries  
Consolidated Balance Sheets  
Dec 31, 2019, 2020

Unit : Thousands of NTD

Code	Assets	Dec 31, 2020		Dec 31, 2019	
		Amount	%	Amount	%
	<b>Current Assets</b>				
1100	Cash and cash equivalents (Note 6)	\$ 1,359,763	8	\$ 2,833,122	16
1110	Financial assets at fair value through profit or loss - current (Note 7)	491,974	3	301,097	2
1150	Notes receivable, net (Note 8)	33,170	-	88,747	1
1160	Notes receivable from related parties, net (Note 28)	52,264	-	13,641	-
1170	Accounts receivable, net (Note 8)	1,782,834	10	1,775,432	10
1180	Accounts receivable from related parties, net (Note 28)	161,759	1	51,954	-
1210	Loan to related parties (Note 28)	552,800	3	164,000	1
130X	Inventory (Note 9)	2,080,015	12	2,553,973	14
1410	Prepayments	56,927	-	65,564	-
1476	Other financial assets - current (Note 6)	174,551	1	60,634	-
1479	Other current assets	5,868	-	7,803	-
11XX	Total current assets	<u>6,751,925</u>	<u>38</u>	<u>7,915,967</u>	<u>44</u>
	<b>Non-current assets</b>				
1510	Financial assets at fair value through profit or loss—non-current (Note 7)	11,825	-	13,447	-
1517	Financial assets at fair value through other comprehensive income—non-current (Note 10)	2,358,662	13	1,824,018	10
1550	Investment adjustments for Using Equity Method (Note 12)	2,613,301	15	1,782,110	10
1600	Property, plant, equipment (Note 13)	5,550,279	31	6,041,544	34
1755	Right of use asset (Note 3 and 14)	934	-	1,191	-
1780	Other intangible assets (Note 15)	8,055	-	9,697	-
1840	Deferred tax assets (Note 22)	365,958	2	244,046	2
1915	Prepayment for equipment	169,784	1	60,157	-
1990	Other non-current assets	14,084	-	21,324	-
15XX	Total non-current assets	<u>11,092,882</u>	<u>62</u>	<u>9,997,534</u>	<u>56</u>
1XXX	Total Assets	<u>\$ 17,844,807</u>	<u>100</u>	<u>\$ 17,913,501</u>	<u>100</u>
	<b>Liability and Equity</b>				
	<b>Current liability</b>				
2100	Short-term loan (Note 16)	\$ 2,044,000	11	\$ 4,050,000	23
2110	Short-term corporate bonds payable (Note 16)	1,120,000	6	620,000	4
2120	Financial liabilities at fair value through profit or loss (Note 7)	-	-	27,094	-
2150	Notes payable	54,765	-	59,179	-
2160	Notes payable—related parties (Note 28)	8,705	-	17,985	-
2170	Accounts payable	961,089	5	426,406	2
2180	Accounts payable—related parties (Note 28)	97,135	1	64,776	-
2219	Other payable (Note 28)	472,257	3	500,661	3
2220	Loan from related parties (Note 28)	85,000	1	120,000	1
2230	Income tax payable in current period (Note 22)	2,803	-	1,830	-
2250	Liability preparation—current	20,372	-	21,653	-
2280	Lease liability—current (Note 3 and 14)	107	-	232	-
2320	Long-term loan due in a year (Note 17)	155,000	1	350,000	2
2399	Other current liability	<u>135,187</u>	<u>1</u>	<u>140,515</u>	<u>1</u>
21XX	Total current liabilities	<u>5,156,420</u>	<u>29</u>	<u>6,400,331</u>	<u>36</u>
	<b>Non-current liability</b>				
2540	Long-term loan (Note 17)	1,875,000	11	1,100,000	6
2570	Deferred income tax liability (Note 22)	146,650	1	147,499	1
2580	Lease liability—non-current (Note 3 and 14)	541	-	962	-
2640	Accrued pension liability, net—non-current (Note 18)	235,805	1	262,699	1
2670	Other non-current liability	<u>1,176</u>	<u>-</u>	<u>1,475</u>	<u>-</u>
25XX	Total non-current liabilities	<u>2,259,172</u>	<u>13</u>	<u>1,512,635</u>	<u>8</u>
2XXX	Total liability	<u>7,415,592</u>	<u>42</u>	<u>7,912,966</u>	<u>44</u>
	<b>Equity Attributable to Shareholders of the Parent (Note 19)</b>				
3110	Common stock	<u>9,144,872</u>	<u>51</u>	<u>9,144,872</u>	<u>51</u>
3200	Capital reserve	<u>134,620</u>	<u>1</u>	<u>134,044</u>	<u>1</u>
	<b>Retained earning</b>				
3310	Legal reserve	525,527	3	525,527	3
3320	Special reserve	602,637	4	602,637	3
3350	Accrued loss	( 662,075 )	( 4 )	( 248,943 )	( 1 )
3300	Total retained earnings	<u>466,089</u>	<u>3</u>	<u>879,221</u>	<u>5</u>
3400	Other equity	<u>168,713</u>	<u>1</u>	<u>456,101</u>	<u>( 3 )</u>
3500	Treasury stock	( 432,403 )	( 3 )	( 432,403 )	( 2 )
31XX	Total Equity to Shareholders of the Parent	<u>9,481,891</u>	<u>53</u>	<u>9,269,633</u>	<u>52</u>
36XX	Non-controlling interests (Note 19)	<u>947,324</u>	<u>5</u>	<u>730,902</u>	<u>4</u>
3XXX	Total equity	<u>10,429,215</u>	<u>58</u>	<u>10,000,535</u>	<u>56</u>
	Total of Liability and Equity	<u>\$ 17,844,807</u>	<u>100</u>	<u>\$ 17,913,501</u>	<u>100</u>

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

Chairman: Kuo, Shao-Yi      Manager : Kuo, Shao-Yi      Head of Accounting : Ko, Pei-Chun

Li Peng Enterprise Co Ltd and Subsidiaries  
Consolidated Statements of Comprehensive Income

Jan 1 to Dec 31, 2019, 2020      Unit : Thousands of NTD  
Except loss per share

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue ( Note 20, 28 )	\$ 13,559,461	100	\$ 14,579,347	100
5000	Operating cost ( Note 9, 28 )	<u>13,324,652</u>	<u>98</u>	<u>14,201,182</u>	<u>97</u>
5900	Operating margin	234,809	2	378,165	3
5910	Unrealized profit on sales to associates	( 313 )	-	( 72 )	-
5920	Realized profit on sales to associates	<u>72</u>	<u>-</u>	<u>-</u>	<u>-</u>
5950	Realized operating margin	<u>234,568</u>	<u>2</u>	<u>378,093</u>	<u>3</u>
	Operating expense ( Note 28 )				
6100	Sales expense	287,097	2	379,520	3
6200	Management expense	195,625	2	192,048	1
6300	R&D expense	112,090	1	116,310	1
6450	Expected credit (gain) loss on reversal of impairment loss	( <u>3,508</u> )	<u>-</u>	<u>68</u>	<u>-</u>
6000	Total operating expenses	<u>591,304</u>	<u>5</u>	<u>687,946</u>	<u>5</u>
6900	Operating net loss	( <u>356,736</u> )	( <u>3</u> )	( <u>309,853</u> )	( <u>2</u> )
	Non-operating income and expenses				
7100	Interest income ( Note 21, 28 )	45,307	-	65,248	-
7010	Other income ( Note 21, 28 )	124,861	1	125,177	1
7020	Other profit and loss ( Note 21, 28 )	( 306,966 )	( 2 )	( 105,917 )	( 1 )
7050	Finance cost ( Note 21 )	( 56,497 )	-	( 63,737 )	-
7060	Share of profits of associates	<u>17,172</u>	<u>-</u>	( <u>23,665</u> )	<u>-</u>
7000	Total non-operating income and loss	( <u>176,123</u> )	( <u>1</u> )	( <u>2,894</u> )	<u>-</u>

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Code		2020		2019	
		Amount	%	Amount	%
7900	Net loss before tax	( \$ 532,859 )	( 4 )	( \$ 312,747 )	( 2 )
7950	Income tax profit ( Note 4, 22 )	<u>118,526</u>	<u>1</u>	<u>68,696</u>	<u>-</u>
8200	Net loss of the year	( <u>414,333</u> )	( <u>3</u> )	( <u>244,051</u> )	( <u>2</u> )
	Other comprehensive income (net)				
8310	Uncategorized items profit and loss :				
8311	Measure on defined benefit plans	8,963	-	( 21,024 )	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	703,868	5	( 55,878 )	( 1 )
8320	Share of other comprehensive gain of associates and joint ventures	125,153	1	( 45,164 )	-
8360	Items that may be reclassified subsequently to profit or loss :				
8361	Exchange differences resulting from translation on foreign operations	( 7,112 )	-	( 10,958 )	-
8370	Shares of other comprehensive gain of associates	<u>-</u>	<u>-</u>	<u>3,985</u>	<u>-</u>
8300	Total other comprehensive income of the year	<u>830,872</u>	<u>6</u>	( <u>129,039</u> )	( <u>1</u> )
8500	Total comprehensive income of the year	<u>\$ 416,539</u>	<u>3</u>	( <u>\$ 373,090</u> )	( <u>3</u> )
	Net loss attributable to :				
8610	Shareholder of the parent	( \$ 412,009 )	( 3 )	( \$ 249,366 )	( 2 )
8620	Non-controlling interests	( <u>2,324</u> )	<u>-</u>	<u>5,315</u>	<u>-</u>
8600		( <u>\$ 414,333</u> )	( <u>3</u> )	( <u>\$ 244,051</u> )	( <u>2</u> )
	Comprehensive income attributable to :				
8710	Shareholders of the parent	\$ 211,682	2	( \$ 362,246 )	( 3 )
8720	Non-controlling interests	<u>204,857</u>	<u>1</u>	( <u>10,844</u> )	<u>-</u>
8700		<u>\$ 416,539</u>	<u>3</u>	( <u>\$ 373,090</u> )	( <u>3</u> )
	Basic loss per share ( Note 23 )				
9710	Basic	( <u>\$ 0.48</u> )		( <u>\$ 0.29</u> )	

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

Chairman: Kuo, Shao-Yi

Manager : Kuo, Shao-Yi

Head of Accounting : Ko, Pei-Chun



Li Peng Enterprise Co Ltd and Subsidiaries  
Consolidated Statements of Changes in Equity  
Jan 1 to Dec 31, 2019, 2020

Unit : Thousands of NTD

		Equity Attributable to Shareholders of the Parent							Others								
								Foreign Organization	Unrealized gain/loss on financial assets at								
		Share Capital		Capital Reserve	Retained Earning		Unappropriated Earnings ( Unappropriated deficit )	Financial Report Exchange difference	Fair value through comprehensive income			Treasury Stock	Total	Non- Controlling interests	Total equity		
		Share ( Thousands )	Amount		Legal Reserve	Special Reserve			Using equity method	Using equity method							
Code		Share ( Thousands )	Amount	Capital Reserve	Legal Reserve	Special Reserve	( Unappropriated deficit )	Exchange difference	Parent company	Subsidiaries	Associates	Treasury Stock	Total	Non- Controlling interests	Total equity		
A1	Balance as of Jan 1, 2019	914,487	\$ 9,144,872	\$ 117,015	\$ 509,332	\$ 276,208	\$ 546,762	( \$ 13,565 )	\$ 143,169	( \$ 309,252 )	( \$ 184,390 )	( \$ 432,403 )	\$ 9,797,748	\$ 741,746	\$ 10,539,494		
B1	Appropriations of earnings in 2018	-	-	-	16,195	-	( 16,195 )	-	-	-	-	-	-	-	-		
B3	Allowance of legal reserve	-	-	-	-	-	( 326,429 )	-	-	-	-	-	-	-	-		
B5	Allowance of special reserve	-	-	-	-	326,429	( 326,429 )	-	-	-	-	-	-	-	-		
B5	Cash dividends to the shareholders	-	-	-	-	-	( 182,898 )	-	-	-	-	-	( 182,898 )	-	( 182,898 )		
C7	Changes to other capital reserve :																
	Change in associates using equity method	-	-	293	-	-	-	-	-	-	-	-	293	-	293		
M1	Cash dividends from parent company to subsidiary	-	-	16,736	-	-	-	-	-	-	-	-	16,736	-	16,736		
D1	Net loss in 2019	-	-	-	-	-	( 249,366 )	-	-	-	-	-	( 249,366 )	5,315	( 244,051 )		
D3	Other comprehensive income in 2019	-	-	-	-	-	( 20,817 )	( 10,958 )	( 21,387 )	( 18,332 )	( 41,386 )	-	( 112,880 )	( 16,159 )	( 129,039 )		
D5	Total comprehensive income in 2019	-	-	-	-	-	( 270,183 )	( 10,958 )	( 21,387 )	( 18,332 )	( 41,386 )	-	( 362,246 )	( 10,844 )	( 373,090 )		
Z1	Balance as of Dec 31, 2019	914,487	9,144,872	134,044	525,527	602,637	( 248,943 )	( 24,523 )	121,782	( 327,584 )	( 225,776 )	( 432,403 )	9,269,633	730,902	10,000,535		
C7	Changes to other capital reserve :																
	Change in associates using equity method	-	-	141	-	-	-	-	-	-	-	-	141	-	141		
M7	Changes to equity ownership of subsidiary (Note 25)	-	-	435	-	-	-	-	-	-	-	-	435	11,565	12,000		
Q1	Subsidiary and associates' disposal of equity tool through other comprehensive income	-	-	-	-	-	( 14,363 )	-	-	( 6,116 )	20,479	-	-	-	-		
D1	Net Loss in 2020	-	-	-	-	-	( 412,009 )	-	-	-	-	-	( 412,009 )	( 2,324 )	( 414,333 )		
D3	Other comprehensive income in 2020	-	-	-	-	-	13,240	( 7,112 )	261,635	235,052	120,876	-	623,691	207,181	830,872		
D5	Total comprehensive income in 2020	-	-	-	-	-	( 398,769 )	( 7,112 )	261,635	235,052	120,876	-	211,682	204,857	416,539		
Z1	Balance as of Dec 31, 2020	914,487	\$ 9,144,872	\$ 134,620	\$ 525,527	\$ 602,637	( \$ 662,075 )	( \$ 31,635 )	\$ 383,417	( \$ 98,648 )	( \$ 84,421 )	( \$ 432,403 )	\$ 9,481,891	\$ 947,324	\$ 10,429,215		

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

Chairman: Kuo, Shao-Yi      Manager : Kuo, Shao-Yi      Head of Accounting : Ko, Pei-Chun

Li Peng Enterprise Co Ltd and Subsidiaries  
Consolidated Statements of Cash Flows  
Jan 1 to Dec 31, 2019, 2020

Unit : Thousands of NTD

Code		2020	2019
	Cash Flows From Operating Activities		
A10000	Profit (loss) before income tax	( \$ 532,859 )	( \$ 312,747 )
A20010	Provided by (used in) operating activities:		
A20100	Depreciation	617,864	614,156
A20200	Amortization	6,472	9,011
A20300	Expected credit (gain) loss on reversal of impairment loss		
		( 3,508 )	68
A29900	Amortized prepayment	71,701	94,388
A20400	Financial assets and liability at fair value through (profit) or loss	( 29,449 )	9,694
A20900	Finance costs	56,497	63,737
A21200	Interest income	( 45,307 )	( 65,248 )
A21300	Dividend income	( 1,738 )	( 78,083 )
A22300	Share of income to associates using equity method	( 17,172 )	23,665
A22500	Loss (gain) on disposal or retirement of property, plant, equipment	( 668 )	1,307
A23100	Gain on disposal of investment, net	( 341 )	( 791 )
A23200	Gain on disposal of investments accounted for using equity method, net	( 51 )	-
A23800	Reversal of impairment loss on inventory	( 71,402 )	( 370,509 )
A23900	Unrealized profit on sales to associates	241	72
A24100	Net (gain) loss on foreign exchange	( 11,910 )	68,531
	Changes in operating assets and liabilities		
A31130	Notes receivable	17,354	274,278
A31115	Collect financial assets at fair value through profit or loss	( 172,192 )	121,495
A31150	Accounts receivable	( 67,397 )	( 125,311 )
A31200	Inventory	545,361	1,303,561
A31230	Prepayments	( 67,940 )	( 59,873 )
A31240	Other current assets	1,945	( 3,492 )
A31250	Other financial assets	( 113,027 )	19,079
A32130	Notes payable	( 13,694 )	( 223,888 )
A32150	Accounts payable	571,015	( 1,045,483 )
A32180	Other accounts payable	( 15,161 )	56,530
A32200	Liability preparation	( 1,347 )	3,730
A32240	Accrued pension liabilities, net	( 17,931 )	( 27,253 )
A32230	Other current liability	( 37,244 )	23,948
A33000	Cash generated from operations	668,112	374,572
A33100	Interest income	47,131	65,025
A33200	Dividend income	1,738	78,083
A33200	Dividend income from associates	41,872	29,523

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Code		2020	2019
A33300	Interest payable	( \$ 57,308 )	( \$ 63,950 )
A33500	Income tax payable	( 6,449 )	( 13,811 )
AAAA	Cash inflow from operating activities	<u>695,096</u>	<u>469,442</u>
Cash Flows from Investing Activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	( 49,361 )	( 36,609 )
B00020	Disposal of financial assets at fair value through other comprehensive income	218,584	-
B01800	Acquisition of associates	( 758,415 )	( 15,200 )
B01900	Disposal of associates	15,083	-
B02200	Cash inflow from acquisition of subsidiary, net	392	-
B05900	Decrease (increase) in loan to related parties receivable	( 404,500 )	32,000
B02700	Acquisition of property, plant, equipment	( 245,335 )	( 368,768 )
B02800	Disposal of property, plant, equipment	1,052	1,290
B03800	(Increase) decrease in refundable deposits	( 1 )	677
B04500	Acquisition of intangible asset	( 3,193 )	( 5,921 )
BBBB	Cash outflow from investment activity	( <u>1,225,694</u> )	( <u>392,531</u> )
Cash Flows From Financing Activities			
C00100	Increase (decrease) in short-term loan	( 2,006,000 )	1,592,000
C00500	Proceeds from short-term bills payable	500,000	516,000
C01600	Lend long-term loan	875,000	-
C01700	Repay long-term loan	( 295,000 )	( 1,284,700 )
C04020	Lease principal repayment	( 463 )	( 57 )
C03000	Increase (decrease) in refundable deposits	( 298 )	688
C03700	Increase (decrease) in loan to related parties receivable	( 35,000 )	7,000
C04500	Dividend payment to shareholders	-	( 166,162 )
C05800	Changes to non-controlling interests	<u>12,000</u>	<u>-</u>
CCCC	Cash inflows (outflows) from financing activities	( <u>949,761</u> )	<u>664,769</u>
DDDD	Effect of exchange rate on cash or cash equivalents	<u>7,000</u>	( <u>38,314</u> )
EEEE	Net Increase (Decrease) in Cash and Cash Equivalents	( 1,473,359 )	703,366
E00100	Balance of cash and cash equivalents, beginning of the year	<u>2,833,122</u>	<u>2,129,756</u>
E00200	Balance of cash and cash equivalents, end of the year	<u>\$ 1,359,763</u>	<u>\$ 2,833,122</u>

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

Chairman: Kuo, Shao-Yi      Manager : Kuo, Shao-Yi      Head of Accounting : Ko, Pei-Chun

Li Peng Enterprise Corporation Limited and Subsidiaries

Consolidated Financial Statement Note

Jan 1 to Dec 31, 2019, 2020

( Otherwise stated, amounts indicated are in thousands of New Taiwanese Dollars )

1. Consolidated Company History

Li Peng Enterprise Corporation Limited (the “Company”), which was established in August 1975, produced various types of printed papers, decal papers, paper products, and printing boards. In 1985, dyeing plant was built; in 1988, weaving plant was then added to produce synthetic, natural woven fabric, cotton, and printed textile. In 1999, additional nylon plants were built, which were to produce synthetic fibers and nylon filament yarns that would be made into products for trading. The Company’s factories are located in Yangmei district in Taoyuan city, and another in Fanyuan township in Changhua county.

The Company was listed and traded on the Taiwan Stock Exchange in January 1992.

The Company’s major shareholder is Lealea Enterprise Co. Ltd., with 15.89% of the company’s shares as of December 31, 2019 and 2020.

In Talent Investments Limited ( In Talent ) was set up by the Company in Samoa, which mainly operates reinvestment business.

Libolon (Shanghai) International Trading Co., Ltd., (Libolon Shanghai Co.) was set up by In Talent in Shanghai, Mainland China, which operates the wholesale business of synthetic cloths and fabric.

Li Mao Investment Co. Ltd. (Li Mao Co.), Hung Hsing Investment Co. Ltd. (Hung Hsing Co.), and Li Shing Investment Co. Ltd. (Li Shing Co.) operate the reinvestment businesses on behalf of the various production businesses, securities investment company, and bank.

Libolon Energy Co. Ltd.’s (Libolon Energy Co.) main business includes renewable energy, self-generated power equipment and cogeneration business.

Eton Petrochemical Co. Ltd.’s (Eton Petrochemical Co.) main business is wholesaling of chemical ingredients.

Eton Petrochemical International Co. Ltd. (Eton International Co.) was set up by Eton Co. in Samoa as a reinvestment. Its main business is wholesaling of chemical ingredients.

The Company's functional currency and the currency stated in the consolidated financial statements are both New Taiwanese Dollar.

2. The Authorization of Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue 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).

IFRS 16 amendment to "Provisions on Covid-19 Pandemic Related Rental Concession "

Consolidated company chose a practical expediency to negotiate with the renter about the rental concession based on the amendment related to Covid-19 pandemic. Matters related to accounting policy can be referred to Note 4. Before applying the amendment to the matter, consolidated company shall make judgment based on whether the rental negotiation is also appropriate with the rules of lease amendment. Consolidated company started applying the amendment since January 1, 2020. As the abovementioned rental negotiation had its effects only in 2020, it did not affect retain earnings on January 1, 2020 retrospectively.

- (b) IFRS endorsed by the Financial Supervisory Commission (FSC) in 2021

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4 "IFRS 9 Extension of Temporary Exemption"	Effective on date of announcement
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"	Effective during the period of annual reporting after January 1 2021

- (c) The IFRSs issued by 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 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1” Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policy”	January 1, 2023 (Note 6)
Amendments to IAS 8” Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16” Property, Plant, and Equipment – Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
Note 1 : Otherwise stated, the above New, Revised, Amended Standards and Interpretations shall be effective since the start date of annual reporting.	
Note 2 : Amendments to IFRS 9 is applicable to the of exchange of financial liabilities or modification of terms during annual reporting starting from January 1, 2022; amendments to IAS41 “Agriculture” are applicable to the evaluation at fair value during annual reporting starting from January 1, 2022; amendments to IFRS1 “First time to adapt IFRS1” is applicable to the period of annual reporting starting from January 1, 2022 retrospectively.	
Note 3 : As long as the acquisition date of company consolidation starts after January 1, 2022 during annual reporting, it is applicable to the amendment.	
Note 4 : Starting from January 1, 2021, as the operation meets the expectation of the management, the required location, plant condition, property and equipment shall apply to the amendment.	
Note 5 : After January 1, 2022, all contracts shall be applicable to the amendment if they have not fulfilled the obligations.	
Note 6 : Any postponement during annual reporting after January 1, 2023 shall be applicable to the amendment.	
Note 7 : All changes to accounting estimation and modification on the accounting policies happen during annual reporting after January 1, 2023 shall be applicable to the amendment.	

As of the date the accompanying consolidated financial statements were authorized for issue, the consolidated 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 and related applicable period. The related impact will be disclosed when the consolidated company completes the evaluation.

#### 4. Major Accounting Policies Descriptions

(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.

(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, and the net confirmed benefit liabilities recognized by the current value of the confirmed benefit obligations minus the fair value of the planned assets. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The evaluation of fair value based on the observability and importance of relevant input value is classified into gradings from 1<sup>st</sup> to 3<sup>rd</sup> grade:

1. 1<sup>st</sup> grade input value : the quotation of equivalent value of the assets or liabilities in the active market on evaluation date (unadjusted).
2. 2<sup>nd</sup> grade input value: the observable input value (besides the quotation of 1<sup>st</sup> grade) on assets and liabilities direct (value) or indirect (derived value).
3. 3<sup>rd</sup> grade input value : the unobservable input value on assets or liabilities.

(c) Classification of Current and Noncurrent Assets and Liabilities

Current Assets include :

1. Assets held for trading purposes;
2. Expected to be converted to cash, sold or consumed within 12 months from the end of the reporting period ; and
3. Cash and cash equivalent (not including the restricted users for exchange or settle liabilities after over 12 months from the balance sheet date.)

Current Liabilities include :

1. Liabilities held for trading purposes;
2. Liabilities expected to be settled within 12 months from the balance sheet date (including liabilities from long-term refinancing or readjusting payment agreement even if it's after the balance sheet date until the approved release date of financial report; and
3. The deadline to settle liabilities cannot be deferred unconditionally to later than 12 months after the balance sheet date. The terms of the liability may depend on the counterparty's choice, the issuance of equity instruments to cause its liquidation does not affect the classification.

Items that aren't current assets or liabilities as mentioned above, would be classified as non-current assets or liabilities.

(d) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the consolidated company and entities controlled by the consolidated company (its subsidiaries). The 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. When necessary, adjustments are made to the financial statements of subsidiaries to ensure their accounting policies are aligning with those used by the parent. 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 consolidated company's ownership interests in subsidiaries that do not result in the consolidated company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the consolidated 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.

The details on items, ratio of shares owned, and operations of the subsidiaries can be referred to Note ELEVEN and Table SEVEN.

(e) Business Combination

Business combination is through acquisition methods. Expenses related to acquisitions are listed as expenses when expenses incurred from rendering of services as it happened.

Goodwill is the total amount of the fair value of the transfer, the amount of non-controlling interests of the acquiree, and the fair value of the acquiree's previously held equity at the acquisition date, the net measure of identifiable assets acquired, and liabilities assumed beyond the date of acquisition.

The acquiree has the current ownership of equity and is entitled to pro rata non-controlling interests in the acquiree's net assets at the time of liquidation, which is measured by fair value. Other non-controlling interests are measured at fair value.

A business combination concluded in stages is based on the fair value on the acquisition date to re-measure the equity of the acquiree that the merging company has previously held. If any profit or loss arises as a result, it is recognized as a profit or loss. The amount recognized in other comprehensive profits and losses before the acquisition date due to the previously held equity of the acquiree is recognized on the same basis as if the amalgamating consolidated company directly disposes of its previously held equity.

(f) Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) is recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, such exchange differences are recognized in profit or loss in the period in which they arise.



Amount receivable or payable with relation to the consolidated company's foreign operations' currency, the liquidation of the item is currently neither planned nor possible in the foreseeable future (so it constitutes a part of the net investment in the foreign operations), the exchange difference is originally recognized as other comprehensive gains and losses, and when disposing net investment, reclassify from equity to profit and loss.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies use exchange rates prevailing on trading day, not retranslated.

As preparing the consolidated financial statements, assets and liabilities of the Company's foreign operations are translated into NTD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to the consolidated company's non-controlling interests as appropriate).

(g) Inventories

Inventories include raw materials, materials, finished goods, and processed goods. Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory cost is calculated by the weighted average method.

(h) Investment in Associates

Investment accounted for using equity method are investments in associates, which the consolidated company has significant influence over, they are not subsidiaries.

The consolidated company invested in associates using equity method.

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 consolidated company's share of profit or loss and other comprehensive income of the associates as well as the distribution received. The consolidated company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the consolidated 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, which is included within the carrying amount of the investment. The entire carrying amount of the investment (including goodwill) cannot be amortized. Any excess of the consolidated company's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the consolidated 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 consolidated company's proportionate interest in the net assets of the associate. The consolidated company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the consolidated 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.

When the associated company issues new shares, if the consolidated company fails to subscribe according to the shareholding ratio, which causes the shareholding ratio to change, and consequently increases or decreases the net equity value of the investment, the amount of increase or decrease shall be adjusted to the capital reserve - use the equity method to recognize the changes in the net equity of associates and the investment using the equity method. If the shareholding ratio is not subscribed nor obtained, which results in a decrease in the ownership and interest of the associated company, the amount recognized in the other comprehensive profit and loss related to the associated company shall be reclassified according to the reduced portion, and the basis of accounting treatment is related to the associated company, if the relevant assets or liabilities are directly disposed of, the basis must be the same; if the adjustment in the preceding paragraph should be debited to the capital surplus, and the balance of the capital reserve generated by the investment using the equity method is insufficient, the difference is debited to the retained earnings.

When the consolidated company's share of losses in the associated company equals or exceeds its equity in the associated company (including the carrying amount of the investment in the associated company under the equity method and other long-term interests that are essentially part of the consolidated company's net investment in the associated company), that is, stop recognizing further losses. The consolidated company only recognizes additional losses and liabilities within the scope of incurred statutory obligations, deduced obligations, or payments on behalf of associates.

When assessing an impairment, the consolidated company regards the overall book value of the investment (including goodwill) as a single asset, compares the recoverable amount with the carrying amount, and conducts an impairment testing. The recognized impairment loss is not allocated to the component of the investment book value. Any assets, including goodwill, any reversal of the impairment loss shall

be recognized within the scope of the subsequent increase in the recoverable amount of the investment.

The consolidated company ceases to use the equity method on the day when its investment ceases to be an associated company, and its retained equity in the original associated company is measured at fair value, recorded in the current profit and loss. In addition, for all amounts recognized in other comprehensive profit and loss related to the associated company, the basis of accounting treatment is the same as the basis that the associated company must abide by when and if it directly disposes the assets or liabilities. If an investment in an associated company becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associated company, the consolidated company will continue to use the equity method without re-evaluating the retained equity.

The profit and loss arising from the upstream, downstream, and side-current transactions between the consolidated company and the associated company are recognized in the consolidated financial report only to the extent that the consolidated company has no relation to the equity of the associated company.

(i) Property, Plant and Equipment

Property, plant and equipment are listed as expenses, measured at cost less accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other identical categories of property, plant and equipment, commences when the assets are available for their intended use.

Land is not depreciated, other property, plant and equipment's residual values over their useful lives, and depreciation are computed using the straight-line method, estimate the depreciated value individually based on every significant part. The consolidated company shall estimate and review their useful lives, residual values, and depreciation method at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(j) Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives, finite useful lives, residual values, and amortization method should be reviewed at the end of each reporting period by the consolidated company, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with uncertainty useful lives are presented as cost less accumulated impairment losses.

As intangible assets are being removed, the difference between the net disposal value and the asset's book value is recognized in the current profit and loss.

(k) Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets (besides goodwill)

The consolidated company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets (besides goodwill) to determine whether there is any indication that those assets have suffered an impairment loss on each balance sheet date. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to individual cash-generating units for which a reasonable and consistent allocation basis can be identified.

For intangible assets that don't have definite useful life and are not yet available for use, impairment testing shall be carried out at least annually and when there are signs of impairment.

The recoverable amount is the higher of the fair value minus cost of sale and its use value. If the recoverable amount of an individual 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, and the impairment loss is recognized in profit and loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is adjusted to the revised recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in the previous year (minus amortization or depreciation). A reversal of an impairment loss is recognized immediately in profit or loss.

(l) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the consolidated company becomes a party to the contract terms of the instrument.

In the initial recognition of financial assets and financial liabilities, if financial assets or financial liabilities are not measured at fair value through profit and loss, they are measured at fair value plus trading costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Trading costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit and loss are immediately recognized as profit and loss.

1. Financial Asset

Conventional transactions of financial assets are recognized and delisted by accounting on the trading day.

(1) Types of Measurement

Types of financial assets held by the consolidated company are financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, and equity instrument investment measured at fair value through other comprehensive gains and losses.

A. Financial Assets Measured at Fair Value Through Profit and Loss

Financial assets measured at fair value through profit and loss include mandatory fair value through profit and loss and financial assets designated as fair value through profit and loss. Mandatory financial assets measured at fair value through profit or loss include equity instrument investments that the amalgamating company has not specified to be measured at fair value through other comprehensive profit and loss, and debt instrument investments that are not classified as measured at amortized cost or measured at fair value through other comprehensive profit and loss.

Financial assets are designated at the time of initial recognition as measured at fair value through profit and loss, if the designation can eliminate or significantly reduce measurement or recognition inconsistencies.

Financial assets measured at fair value through profit and loss are the dividends and interests generated by fair value measurement, that are recognized in other income and interest income respectively, and the benefits or losses generated by the re-measurement are recognized in other income and loss. Please refer to Note TWENTY-SEVEN for the method of determining fair value.

## B. Financial Assets at Amortized Cost

If the financial assets invested by the consolidated company meet the following two conditions at the same time, they are classified as financial assets measured at amortized cost:

- a. Held under a certain business model, the purpose of this model is to hold financial assets to collect contractual cash flows; and
- b. The terms of the contract generate cash flows on a specific date, and these cash flows are all interests on the payment of the principal and the amount of principal in circulation.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, notes receivable and other receivables measured at amortized cost) after initial recognition, are measured by the total book amount determined by the effective interest method minus the amortized cost of any impairment loss, and any foreign currency exchange gains and losses are recognized as in profit and loss.

Except for the following two cases, interest income is calculated by multiplying the effective interest rate by the total book value of financial assets :

- a. For purchased or created credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial assets.
- b. For financial assets that are not purchased or originated from credit impairment, but subsequently become credit impairment, calculate the interest income by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the credit impairment.

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

Cash equivalents include time deposits that are highly liquidated and can be converted into fixed cash at any time within 3 months from the date of acquisition, and the risk of changes in value is very low, which is used to meet short-term cash commitments.

C. Investment in Equity Instruments Measured at Fair Value Through Other Comprehensive Income

During initial recognition, the consolidated company can make an irrevocable choice to invest in equity instruments that are not held for trading and not recognized by the purchaser of a business merger, and designated to be measured at fair value through other comprehensive income.

Equity instrument investments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes in fair value are reported in other comprehensive income and accumulated in other equity. At the time of investment disposal, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

Dividends derived from equity instrument investments measured at fair value through other comprehensive income are recognized in the profit and loss when the rights of payment collection of the consolidated company were established unless the dividends clearly represent partial investment cost recovery.

(2) Impairment Loss of Financial Assets and Contractual Assets

The consolidated company assesses the financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date, debt instrument investments measured at fair value through other comprehensive income, operating lease receivables, and impairment loss of contractual assets.

Accounts receivable, operating lease receivables, and contractual assets are all recognized as loss allowance based on expected credit losses during the duration. For other financial assets, first assess whether there is a significant higher credit risk since the initial recognition. If there is no significant higher risk, the loss allowance is recognized based on the 12-month expected credit loss; if the risk has increased significantly, the loss allowance is recognized based on the duration of the expected credit loss.

Expected credit loss is the weighted average credit loss based on the risk of breach of contract. The 12-month expected credit loss refers to the expected credit loss caused by the possible breach of contract event of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss caused by all possible breach of contract events during the expected lifetime of the financial instrument.

The consolidated company is for the purpose of internal credit risk management, and without considering the collateral held, when it is determined that there is internal or external information showing that the debtor is unable to pay off the debt, it represents that the financial asset has breached the contract. The impairment loss of all financial assets is reduced by the allowance account to reduce its carrying amount, but the loss allowance of debt instrument investment measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce its carrying amount.

(3) Delisting of Financial Assets

The consolidated company only delists financial assets when the contractual rights from the cash flow of financial assets have lapsed, or the financial assets have been transferred and almost all the risks and rewards of the ownership of the assets have been transferred to other companies.

When a financial asset measured at amortized cost is delisted, the difference between its book value and the consideration received is recognized in profit or loss. When the debt instrument investment measured at fair value through other comprehensive income is delisted, the difference between the carrying amount and the consideration received plus the sum of any accumulated profits or losses that have been recognized in other comprehensive income is recognized in profit and loss. When equity instrument investments measured at fair value through other comprehensive income are delisted, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

2. Financial Liabilities

(1) Subsequent Measurement

Except for the cases below, all financial liabilities are measured at amortized cost using the effective interest method:

Financial Liabilities Measured at Fair Value Through Profit and Loss

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

Interest derived from financial liabilities held for trading and designated as fair value through profit and loss are recognized as finance cost, other profits or losses arise from remeasurement are recognized in other profits and losses. Please refer to Note TWNETY-SEVEN for the method of determining the fair value.

(2) Delisting of Financial Liabilities

When delisting financial liabilities, the difference between its carrying amount and the paid amount (including any transferred non-cash assets or liabilities assumed) is recognized as profit or loss.



### 3. Derivative Financial Instruments

Derivatives signed by the consolidated company include forward foreign exchange contracts, interest rate exchanges and currency exchanges, which are used to manage the consolidated company's interest rate and exchange rate risks.

Derivative instruments are initially recognized at fair value when the derivative instrument contract is signed, and subsequently re-measured at fair value on the balance sheet date. The profits or losses resulting from subsequent measurement are directly included in the profit and loss, but they are designated as derivatives of effective hedging instruments. The point at which tools are recognized in profit or loss will depend on the nature of the hedging relationship. When the fair value of the derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

If derivative instruments are embedded in the asset master contract within the scope of IFRS 9 "Financial Instruments", the overall contract determines the classification of financial assets. If a derivative is embedded in an asset master contract that is not within the scope of IFRS 9 (such as embedded in a financial liability master contract), and if the embedded derivative meets the definition of a derivative, its risk and characteristics are not closely related to the risk and characteristics of the master contract, when the combined contract is not measured at fair value through profit or loss, the derivative is regarded as a separate derivative.

#### (m) Preparation of Liabilities

The amount recognized as a liability reserve is based on the risk and uncertainty of the obligation and is the best estimation of the expenditure required to settle the obligation on the balance sheet date. The liability provision is measured by the discounted value of the estimated cash flow of the obligated settlement.

#### (n) Income Recognition

After the consolidated company identifies performance obligations in the customer's contract, it allocates the trading price to each performance obligation, and recognizes revenue when each performance obligation is met.

#### Commodity Sales Revenue

Commodity sales revenue is generated from customers who have the right to determine prices and use the commodities and are responsible for resale, customers bear the consequences of commodity obsolescence. The consolidated company recognizes revenue and accounts receivable at this point.

When the material is removed for processing, the control of the ownership of the processed commodity has not been transferred, so the income is not recognized when the material is removed.

(o) Lease

The consolidated company assesses whether the contract belongs to (or contains) a lease on the date of signing contract.

1. The consolidated company as Lessor

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

Under operating leases, lease payments after deduction of lease incentives are recognized as income on a straight-line basis during the relevant lease period. The original direct cost incurred in obtaining an operating lease is added to the book value of the underlying asset and recognized as an expense during the lease period on a straight-line basis.

When the lease includes both land and building elements, the consolidated company assesses whether almost all the risks and returns attached to the ownership of each element have been transferred to the lessee to assess whether each element is classified 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 signing contract. If the lease payment can be reliably allocated to these two elements, each element is treated according to the applicable lease classification. If the lease payment cannot be allocated to these two elements reliably, the overall lease is classified as a finance lease, but if both of these elements clearly meet the operating lease standards, the overall lease is classified as an operating lease.

2. The consolidated 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 on the lease start date.

The right-of-use asset is originally measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date minus the lease incentives received, the original direct cost and the estimated cost of restoring the underlying asset), and the subsequent cost minus accumulated depreciation and measure the amount after the accumulated

impairment loss, as well as adjust the remeasurement amount of the lease liability.

The right-of-use assets are separately expressed on the consolidated balance sheet.

The right-of-use asset is depreciated on a straight-line basis from the lease start date to the end of the service life or the expiration of the lease period, whichever is earlier.

The lease liability is originally measured by the present value of the lease payment (including fixed payment). If the implicit interest rate of the lease can be easily determined, the lease payment is discounted using that interest rate. If the interest rate is not easily determined, use the lessee's incremental borrowing interest rate.

Subsequently, lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period.

The consolidated company and the lessor conducted rental negotiations directly related to the Covid-19 pandemic, adjusted the rent due before June 30, 2021, resulting in rent reduction. These negotiations did not significantly change other lease terms. The consolidated company chooses to adopt practical expedients to deal with the rental negotiation that meets the aforementioned conditions and does not assess 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 Cost**

The borrowing cost directly attributable to the acquisition, construction or production of a qualified asset is a part of the cost of the asset until almost all necessary activities for the asset to reach its intended use or sale status have been accomplished.

Specific borrowings, such as investment income earned by temporary investment before the capital expenditure that meets the requirements, are deducted from the borrowing cost that meets the capitalization conditions.

Except for the above, all other borrowing costs are recognized as profit or loss in the current period.

(q) Government Subsidies

Government subsidies are recognized only when it is reasonably certain that the combined company will comply with the conditions attached to the government subsidies and will receive such subsidies.

The government subsidies related to income are recognized in the profit and loss on a systematic basis during the period when the related costs that they intend to compensate are recognized as expenses in the merging company.

If the government subsidy is used to compensate for the expenses or losses that have occurred or is for the purpose of providing immediate financial support to the consolidated company and has no future related costs, it shall be recognized in the profit and loss during the period when it can be received.

(r) Employee Benefits

1. Short-term Employee Benefits

Short-term employee benefit-related liabilities are measured by the expected non-discounted amount of cash paid in exchange for employee services.

2. Retirement Benefits

The determination of the retirement fund for the retirement plan is to recognize the amount of the retirement fund that should be provided as an expense during the employee's service period.

The definite benefit cost (including service cost, net interest and remeasurement) of the definite benefit retirement plan is calculated using the estimated unit benefit method. Service costs, including current service costs and net interest on net defined benefit liabilities (assets) were recognized as employee benefit expenses when incurred. Re-measurement (including actuarial gains and losses and remuneration of planned assets after interest deduction) are recognized when incurred. It is included in other comprehensive profit and loss and included in retained earnings and is not reclassified to profit or loss in subsequent periods.

The net definite benefit liability (asset) is the shortfall (remaining) of the definite benefit retirement plan. The net determined welfare assets shall not exceed the present value of the refund of the withdrawal from the plan or the reduction of the future withdrawal.

The retirement funds of Libolon (Shanghai Co.), Li Mao Co., Hung Hsing Co., Li Shing Co., Eton Petrochemical Co. and Libolon Energy Co. adopt a fixed allocation and retirement method.

(s) Treasury Stock

When Li Peng Enterprise buys back the issued shares as treasury shares, it debits the cost of treasury shares as a deduction of shareholders' equity.

The transfer of treasury stocks to employees shall be handled in accordance with International Financial Reporting Standards Bulletin No. 2 "Share Basic Benefits".

When canceling treasury stocks, credit "treasury stocks" and debit "capital reserve-stock premium" and "share capital" in proportion to the equity. If the book value of treasury stocks is higher than the total of face value and stock premium, the difference will be offset against the capital reserve generated by treasury stocks of the same type. If there is insufficient, the remaining surplus will be debited; otherwise, the difference will be credited to treasury stocks of the same type with capital reserve generated by the transaction.

The book value of treasury stocks is calculated using the weighted average method.

(t) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

The consolidated 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 income tax on unappropriated earnings calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, which is recognized in the annual shareholders' meeting.

The adjustment of income tax payable in previous years shall be included in current income tax.

2. Deferred Income Tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculating taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are likely to have taxable income for deduction of temporary differences, loss deductions or purchase of machinery and equipment and research the income tax deductions for development and other expenditures are recognized.

Taxable temporary differences related to investment in subsidiaries and related companies are recognized as deferred income tax liabilities. However, if the consolidated company can control the timing of the reversion of the temporary differences, and the temporary differences are likely to not be in the foreseeable future. Except those who will return. The deductible temporary differences related to this type of investment will be recognized as deferred income tax only if it is likely to have sufficient taxable income to realize the temporary differences, and within the scope expected to return in the foreseeable future assets.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date, and the carrying amount is reduced for those that no longer have sufficient taxable income to recover all or part of their assets. For those that have not been recognized as deferred income tax assets, they are also reviewed on each balance sheet date, and if they are likely to generate taxable income in the future for recovering all or part of their assets, the book amount will be increased.

Deferred income tax assets and liabilities are measured by the current tax rate for the expected debt settlement or asset realization. The tax rate is based on the tax rate and tax law that had been legislated or substantively legislated on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences arising from the way the consolidated company expects to recover or settle the carrying amount of its assets and liabilities on the balance sheet date.

### 3. Current and Deferred Income Tax

Current and deferred income taxes are recognized in profit or loss, but current and deferred income taxes related to items recognized in other comprehensive profit or loss or directly included in equity are recognized in other comprehensive profit or loss or directly included in equity.

### 5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When the consolidated company adopts accounting policies, management must make relevant judgments, estimates and assumptions based on experience and other relevant factors for the difficulty of obtaining relevant information from other sources. Actual results may differ from estimations.

The management will continue to review the estimations and basic assumptions. If the revision of the estimation only affects the current period, it shall be recognized in the current period of the revision. If the revision of accounting estimations affects both the current period and the future period, it shall be recognized in the current and the future periods of the revision.

### 6. Cash and Cash Equivalents

	Dec 31, 2020	Dec 31, 2019
Cash and deposit in banks	\$ 1,482	\$ 1,132
Bank cheques and current saving	800,539	288,080
Cash equivalent		
Short-term bills	170,880	1,094,270
Bank foreign currency time deposits with maturity in 3 months	386,862	1,449,640
	<u>\$ 1,359,763</u>	<u>\$ 2,833,122</u>

As of December 31, 2020, there were bank foreign currency time deposits of NT\$113,920 thousand with a maturity period of more than 3 months, which were accounted for under other financial current assets.

As of December 31, 2019 and 2020, the following time deposits are pledged, and other financial assets are listed under the liquidity account-under the current items (Please refer to Note TWENTY-NINE ) .

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>	<u>Purpose</u>
Time deposits	<u>\$ 2,000</u>	<u>\$ 2,000</u>	Deposit for natural gas

7. Financial Instruments Measured at Fair Value Through Profit and Loss

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<u>Financial assets mandatorily</u> <u>measured at FVTPL - current</u>		
Non-derivative financial assets		
— domestic listed(OTC)		
stocks	\$ 101,160	\$ 58,104
— fund beneficiary certificate	119,125	-
— financial products	173,591	238,867
Hybrid financial instruments		
— Structured deposits	<u>98,098</u>	<u>4,126</u>
	<u>\$ 491,974</u>	<u>\$ 301,097</u>

<u>Financial assets mandatorily</u> <u>measured at FVTPL -</u> <u>non-current</u>		
Non-derivative financial assets		
— domestic unlisted (not		
OTC) common stocks	\$ 11,395	\$ 13,017
— foreign unlisted (not OTC)		
common stocks	<u>430</u>	<u>430</u>
	<u>\$ 11,825</u>	<u>\$ 13,447</u>

<u>Financial liabilities mandatorily</u> <u>measured at FVTPL - current</u>		
Derivative instrument ( no hedging		
specified )		
— Foreign exchange contract	<u>\$ -</u>	<u>\$ 27,094</u>

The unexpired foreign exchange contracts that did not adopt hedging accounting on the balance sheet date are as follows:

<u>Dec 31, 2019</u>			
<u>Currency</u>	<u>Duration</u>	<u>Contract Sum ( thousands )</u>	<u>Rate</u>
USD to NTD	01.14.2020-01.21.2020	USD 148,000／NTD 4,470,340	30.18～30.25

In 2020 and 2019, the net profits and losses of financial products from the current financial assets (liabilities) measured by the fair value of the profits and losses were measured at a net profit of NT\$ 29,449 thousand and a net loss of NT\$ 9,694 thousand, respectively.

8. Notes and Accounts Receivable

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<u>Notes receivable</u>		
Measured by cost after amortization		
Total book value	\$ 33,470	\$ 89,447
less : allowance for impairment loss	( <u>300</u> )	( <u>700</u> )
	<u>\$ 33,170</u>	<u>\$ 88,747</u>
	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<u>Accounts receivable</u>		
Measured by cost after amortization		
Total book value	\$ 1,790,100	\$ 1,785,805
Less : allowance for impairment loss	( <u>7,266</u> )	( <u>10,373</u> )
	<u>\$ 1,782,834</u>	<u>\$ 1,775,432</u>

Accounts Receivable

In principle, the credit period of the consolidated company to customers is from 30 days to 180 days on the monthly settlement, and the accounts receivable are not interest-bearing. In addition to the actual credit impairment losses of individual customers, the consolidated company refers to past experience, considers the financial status of individual customers and their respective industries, competitive advantages and prospects, and categorizes individual customers into different risk assessment groups and according to the respective group, the loss rate is recognized as an allowance for impairment loss.

To reduce the credit risk, the management of the consolidated company assigns a dedicated team to be responsible for the determination of credit limits, credit approval and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the consolidated company will review the recoverable amounts of receivables one by one on the balance sheet date to ensure that the unrecoverable receivables have been properly deducted accordingly. Thus, the management of Li Peng Enterprise believes that the credit risk of the consolidated company has been significantly reduced.

The consolidated company measures the accounts and notes receivable (not including related parties), the allowance for impairment loss is as follows (the consolidated company does the assessment on the basis of accounting date) :



Dec 31, 2020

	<u>0~60days</u>	<u>61~90days</u>	<u>91~120days</u>	<u>Over 121days</u>	<u>Total</u>
Expected credit loss rate	0.5%~1%	0.5%~1%	0.5%~1%	0.5%~1%	
Total book value	\$ 1,387,672	\$ 229,848	\$ 177,779	\$ 28,271	\$ 1,823,570
Allowance for impairment loss (lifetime expected credit loss)	( <u>5,796</u> )	( <u>933</u> )	( <u>722</u> )	( <u>115</u> )	( <u>7,566</u> )
Cost after amortization	<u>\$ 1,381,876</u>	<u>\$ 228,915</u>	<u>\$ 177,057</u>	<u>\$ 28,156</u>	<u>\$ 1,816,004</u>

Dec 31, 2019

	<u>0~60days</u>	<u>61~90days</u>	<u>91~120days</u>	<u>Over 121days</u>	<u>Total</u>
Expected credit loss rate	0.5%~1%	0.5%~1%	0.5%~1%	0.5%~1%	
Total book value	\$ 1,250,265	\$ 338,446	\$ 244,418	\$ 42,123	\$ 1,875,252
Allowance for impairment loss (lifetime expected credit loss)	( <u>7,443</u> )	( <u>1,966</u> )	( <u>1,420</u> )	( <u>244</u> )	( <u>11,073</u> )
Cost after amortization	<u>\$ 1,242,822</u>	<u>\$ 336,480</u>	<u>\$ 242,998</u>	<u>\$ 41,879</u>	<u>\$ 1,864,179</u>

Information on the changes of allowance loss of accounts and notes receivable is as follow:

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 11,073	\$ 11,048
Add : The current period (reversal) is listed as impairment loss	( 3,508 )	68
Foreign currency exchange difference	<u>1</u>	( <u>43</u> )
Closing balance	<u>\$ 7,566</u>	<u>\$ 11,073</u>

9. Inventories

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Raw materials	\$ 424,235	\$ 555,888
Materials	73,826	71,770
Raw materials in transit	232,865	297,463
Processed goods	576,479	783,120
Finished goods	461,901	813,309
Product inventory	4,327	2,832
Inventory in transit	<u>306,382</u>	<u>29,591</u>
	<u>\$ 2,080,015</u>	<u>\$ 2,553,973</u>

The inventory-related cost of goods sold in 2020 and 2019 were NT\$13,324,652 thousand and NT\$14,201,182 thousand, respectively.

Operating costs for 2020 and 2019 included \$NT71,402 thousand and NT\$370,509 thousand, respectively, from the rising inventory prices.

The profit from the rebound in the net realizable value of inventories in 2020 and 2019 was mainly due to the rebound in the prices of raw materials and finished products and

the removal of inventories that were originally listed as depreciation losses.

Due to the impact of the new Covid-19 pandemic, the relevant expenditures during the shutdown period of some production lines have been fully included as current costs.

10. Financial assets measured at fair value through other comprehensive profits and losses

	Dec 31, 2020	Dec 31, 2019
Equity instrument investment measured at fair value through other comprehensive profits and losses - non-current		
Domestic listed stocks	<u>\$ 2,358,662</u>	<u>\$ 1,824,018</u>

The consolidated company invests in the aforementioned equity instruments for mid/long-term hold, and therefore chooses to designate these investments as measured at fair value through other comprehensive profits and losses.

On December 31, 2020 and 2019, there were investments of NT\$431,732 thousand and NT\$313,006 thousand in equity instruments measured at fair value through other comprehensive profits and losses, which were provided as collateral for the issuance of short-term notes, but as of December 31, 2020 and 2019, the quota has not been used, please refer to Note TWNETY-NINE.

11. Subsidiaries

The preparation of this consolidated financial report is as follows :

Investor	Subsidiaries	Business Type	% of Share hold	
			2020 Dec 31	2019 Dec 31
LiPeng Enterprise	In Talent	Reinvestments	100%	100%
"	Li Mao Co.	Reinvestments in productions, bonds, and banking	53.38%	53.38%
"	Hung Hsing Co.	"	53.02%	53.02%
"	Li Shing Co.	"	53%	53%
"	Libolon Energy Co.	Renewable energy self-use power generation equipment and cogeneration industry	70%	-
"	Eton Petrochemical Co.	Chemical raw material wholesale	75%	-
In Talent	Libolon (Shanghai)	Wholesale of rayon fabrics, fabrics, and sales of tangible goods	100%	100%
Eton Petrochemical Co.	Eton International Co.	Chemical raw material wholesale	100%	-

12. Investments Using Equity Method  
Invested Associates

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Significant Associate		
PT. INDONESIA LIBOLON		
FIBER SYSTEM	\$ 752,312	\$ -
Insignificant Associate	<u>1,860,989</u>	<u>1,782,110</u>
	<u>\$ 2,613,301</u>	<u>\$ 1,782,110</u>

Significant Associates

	<u>% of equity and voting rights held</u>	
	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
PT. INDONESIA LIBOLON		
FIBER SYSTEM	30%	-

For information on the businesses, main location of operation and country of registration of the above-mentioned associates, please refer to the attached Table "Name, Location, and Related Information of Investees" in attached Table SEVEN.

The associates' first-tier fair value information in the public market is as follows :

<u>C o m p a n y    n a m e</u>	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Rich Development Co., Ltd.	<u>\$ 536,737</u>	<u>\$ 539,293</u>

The consolidated company adopts equity measurement for all the above-listed associates.

The following summary of financial information is prepared on the basis of the IFRSs financial reports of each associate, and has reflected the adjustments made when the equity method is adopted.

PT. INDONESIA LIBOLON FIBER SYSTEM

	<u>Dec 31, 2020</u>
Current assets	\$ 524,765
Non- current assets	2,261,270
Current liabilities	( 1,046,810)
Non- current liabilities	( 78,049)
Equity	<u>\$ 1,661,176</u>
Ratio of the share held by the consolidated company	30%
The consolidated company's rights	\$ 498,353
Goodwill	<u>253,959</u>
Invested book value	<u>\$ 752,312</u>
	May 1 to
	<u>Dec 31, 2020</u>
Operating income	<u>\$ 431,622</u>

	May 1 to Dec 31, 2020
Current net profit	\$ 35,566
Other comprehensive income	( 10,401 )
Total comprehensive income	<u>\$ 25,165</u>

Since the company has obtained the fair value of the identifiable net assets of PT. INDONESIA LIBOLON FIBER SYSTEM, which has yet to be completed in the purchase price allocation report, the goodwill dated December 31, 2020 is the tentative balance.

Summarized Information on Each Insignificant Associates :

	2020	2019
Consolidated company's share		
Continuing business unit's net profit (loss) for the year	\$ 14,039	( \$ 23,665 )
Other comprehensive income	<u>159,494</u>	( <u>41,214</u> )
Total comprehensive income	<u>\$ 173,533</u>	( <u>\$ 64,879</u> )

The consolidated company's investment using the equity method and its share of profit and loss and other comprehensive profit and loss, the financial statements of Rich Development Co. Ltd., Fu Li Express Co. Ltd. and PT. INDONESIA LIBOLON FIBER SYSTEM are not verified by the consolidated company's accountants for visa verification, but by other accountants.

13. Property, Plant and Equipment

	Dec 31, 2020	Dec 31, 2019
Owned land	\$ 1,746,786	\$ 1,746,786
Land improvement	8,691	10,489
Building	1,629,047	1,713,190
Machinery equipment	1,776,975	2,159,265
Transportation	25,136	33,780
Office equipment	4,942	2,278
Other equipment	340,236	372,410
Rental assets	-	234
Unfinished construction	<u>18,466</u>	<u>3,112</u>
	<u>\$ 5,550,279</u>	<u>\$ 6,041,544</u>

	Owned Land	Land Improvement	Building	Machinery Equipment	Transportation	Office Equipment	Other Equipment	Lease Assets	Unfinished Construction	Total
<u>Cost</u>										
Jan 1, 2019 balance	\$ 1,698,288	\$ 377	\$ 3,119,753	\$10,084,996	\$ 101,285	\$ 45,233	\$ 2,335,236	\$ 14,686	\$ 2,822	\$17,402,676
Additions	12,265	-	3,058	36,598	5,520	-	12,891	-	294,247	364,579
Disposals	-	-	( 7,165 )	( 41,581 )	( 1,393 )	( 989 )	( 15,137 )	-	( 66,265 )	( 66,265 )
Account transfer	36,233	10,789	502	212,175	3,200	-	31,058	-	( 293,957 )	( 2,596 )
Net exchange difference	-	( 2,446 )	-	-	( 147 )	( 3 )	-	-	-	-
Dec 31, 2019 balance	<u>\$ 1,746,786</u>	<u>\$ 11,166</u>	<u>\$ 3,113,702</u>	<u>\$10,292,188</u>	<u>\$ 108,465</u>	<u>\$ 44,241</u>	<u>\$ 2,364,048</u>	<u>\$ 14,686</u>	<u>\$ 3,112</u>	<u>\$17,698,394</u>
Jan 1, 2020 balance	\$ 1,746,786	\$ 11,166	\$ 3,113,702	\$10,292,188	\$ 108,465	\$ 44,241	\$ 2,364,048	\$ 14,686	\$ 3,112	\$17,698,394
Additions	-	-	2,903	8,566	2,279	137	11,648	-	100,747	126,280
Disposals	-	-	( 403 )	( 35,851 )	( 125 )	( 5,543 )	( 7,518 )	-	( 85,393 )	( 49,440 )
Account transfer	-	-	12,246	35,558	-	4,468	33,121	-	-	1,122
Net exchange difference	-	-	1,055	-	63	4	-	-	-	-
Dec 31, 2020 balance	<u>\$ 1,746,786</u>	<u>\$ 11,166</u>	<u>\$ 3,129,503</u>	<u>\$10,300,461</u>	<u>\$ 110,682</u>	<u>\$ 43,307</u>	<u>\$ 2,401,799</u>	<u>\$ 14,686</u>	<u>\$ 18,466</u>	<u>\$17,776,356</u>

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Accumulated depreciation and impairment

	Owned Land	Land Improvement	Building	Machinery Equipment	Transportation	Office Equipment	Other Equipment	Lease Assets	Unfinished Construction	Total
Jan 1, 2019 balance	\$ -	(\$ 377)	(\$ 1,304,703)	(\$ 7,750,928)	(\$ 65,013)	(\$ 41,007)	(\$ 1,931,451)	(\$ 14,197)	\$ -	(\$ 11,107,676)
Disposals	-	-	4,671	41,478	1,393	989	13,137	-	-	63,668
Account transfer	-	-	551	-	-	-	551	-	-	-
Amortization	-	( 300)	( 102,178)	( 423,473)	( 11,169)	( 1,948)	( 74,773)	( 255)	-	( 614,096)
Net exchange difference	-	-	1,147	-	104	3	-	-	-	1,254
Dec 31, 2019 balance	\$ -	(\$ 677)	(\$ 1,400,512)	(\$ 8,132,923)	(\$ 74,685)	(\$ 41,963)	(\$ 1,991,638)	(\$ 14,452)	\$ -	(\$ 11,656,850)
Jan 1, 2020 balance	\$ -	(\$ 677)	(\$ 1,400,512)	(\$ 8,132,923)	(\$ 74,685)	(\$ 41,963)	(\$ 1,991,638)	(\$ 14,452)	\$ -	(\$ 11,656,850)
Disposals	-	-	403	35,515	77	5,543	7,518	-	-	49,056
Account transfer	-	-	467	-	-	-	-	-	-	-
Amortization	-	( 1,798)	( 99,321)	( 426,545)	( 10,887)	( 1,944)	( 76,943)	( 234)	-	( 617,672)
Net exchange difference	-	-	559	-	51	1	-	-	-	611
Dec 31, 2020 balance	\$ -	(\$ 2,475)	(\$ 1,500,456)	(\$ 8,523,486)	(\$ 85,546)	(\$ 38,365)	(\$ 2,061,063)	(\$ 14,686)	\$ -	(\$ 12,226,077)

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

Land improvement	5 years
House and building	
Repair and maintenance works	2 to 10 years
New ancillary building	10 to 20 years
Electrical engineering	20 to 30 years
Main building engineering	30 to 45 years
Transportation	
Lift repair and maintenance works	2 to 5 years
Stacker and pallet truck	5 to 6 years
Machinery equipment	
Electrical engineering	2 to 8 years
Machinery engineering	9 to 15 years
Misc. equipment	
Repair and maintenance works	2 to 5 years
Other equipment	5 to 10 years

- (b) The amount of property, plant and equipment that the consolidated company sets pledge as loan guarantee, the details are as follows (please refer to Note SIXTEEN, SEVENTEEN, and TWENTY-NINE) :

	Dec 31, 2020	Dec 31, 2019
Land and building	\$ 3,059,802	\$ 3,143,753
Machinery and other equipment	919,107	1,154,348
	<u>\$ 3,978,909</u>	<u>\$ 4,298,101</u>

14. Lease Agreement

- (a) Right of use assets

	Dec 31, 2020	Dec 31, 2019
Right of use assets carrying amount		
Land	<u>\$ 934</u>	<u>\$ 1,191</u>

	<u>2020</u>	<u>2019</u>
Additions to right of use assets	<u>\$ 227</u>	<u>\$ 1,251</u>
Depreciation of right of use assets		
Land	<u>\$ 192</u>	<u>\$ 60</u>

(b) Lease Liabilities

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Lease liabilities carrying amount		
Current	<u>\$ 107</u>	<u>\$ 232</u>
Non-current	<u>\$ 541</u>	<u>\$ 962</u>

Lease liabilities' discount rate range as follows :

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Land	1.51461%	1.51461%

(c) Other information on lease

	<u>2020</u>	<u>2019</u>
Short-term lease expenses	<u>\$ 34,350</u>	<u>\$ 34,733</u>
Total of cash outflow from leasing	<u>\$ 34,881</u>	<u>\$ 34,791</u>

15. Other Intangible Assets

	<u>Software costs</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>Cost</u>			
Jan 1, 2019 balance	\$ 21,178	\$ 11,118	\$ 32,296
Purchased this period	5,628	293	5,921
Reduction this period	( 2,107)	( 293)	( 2,400)
Net exchange difference	( 15)	-	( 15)
Dec 31, 2019 balance	<u>\$ 24,684</u>	<u>\$ 11,118</u>	<u>\$ 35,802</u>
<u>Accumulated amortization and impairment</u>			
Jan 1, 2019 balance	(\$ 11,863)	(\$ 7,644)	(\$ 19,507)
Amortized this period	( 6,697)	( 2,314)	( 9,011)
Reduction this period	2,107	293	2,400
Net exchange difference	13	-	13
Dec 31, 2019 balance	<u>(\$ 16,440)</u>	<u>(\$ 9,665)</u>	<u>(\$ 26,105)</u>
Dec 31, 2019 net	<u>\$ 8,244</u>	<u>\$ 1,453</u>	<u>\$ 9,697</u>

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<u>Cost</u>	<u>Software costs</u>	<u>Other intangible assets</u>	<u>Total</u>
Jan 1, 2020 balance	\$ 24,684	\$ 11,118	\$ 35,802
Purchased this period	3,193	-	3,193
Reduction this period	( 9,024)	( 5,902)	( 14,926)
Account transfer	1,637	-	1,637
Net exchange difference	7	-	7
Dec 31, 2020 balance	<u>\$ 20,497</u>	<u>\$ 5,216</u>	<u>\$ 25,713</u>
<u>Accumulated amortization and impairment</u>			
Jan 1, 2020 balance	(\$ 16,440)	(\$ 9,665)	(\$ 26,105)
Amortized this period	( 5,274)	( 1,198)	( 6,472)
Reduction this period	9,024	5,902	14,926
Net exchange difference	( 7)	-	( 7)
Dec 31, 2020 balance	<u>(\$ 12,697)</u>	<u>(\$ 4,961)</u>	<u>(\$ 17,658)</u>
Dec 31, 2020 net	<u>\$ 7,800</u>	<u>\$ 255</u>	<u>\$ 8,055</u>

Amortization costs are accrued on a straight-line basis based on the following durability years :

Software costs	3 years
Other intangible assets	3 years

16. Borrowing

(a) Short-term loan

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<u>Unsecured loans</u>		
Credit loan	\$ 1,924,000	\$ 3,550,000
<u>Secured loans</u>		
Bank loan	<u>120,000</u>	<u>500,000</u>
	<u>\$ 2,044,000</u>	<u>\$ 4,050,000</u>

- The interest rates of bank revolving loans were 0.5214%~0.91% and 0.90%~1.04556% as of December 31, 2020 and 2019, respectively.
- The secured loan was secured by property, plant, equipment as of December 31, 2020 and 2019 (please refer to Note THIRTEEN and TWENTY- NINE).

(b) Shot-term Note Receivable— Commercial Promissory Receivable

	<u>Dec 31, 2020</u>	
<u>Guarantee Agency</u>	<u>Interests</u>	<u>Amount</u>
<u>Unsecured</u>		
Ta Ching Bills, China Bills, Taiwan Bills, Mega Bills, International Bills, Grand Bill, and Bangkok Bank	0.31%~0.67%	<u>\$ 1,120,000</u>

		Dec 31, 2019		
Guarantee Agency		Interests	Amount	
<u>Unsecured</u>				
Ta Ching Bills, China Bills, Taiwan Bills, Mega Bills, and Taiwan Cooperative Bills		0.58%~0.89%	<u>\$ 620,000</u>	
17.	<u>Long-Term Loan</u>			
		<u>Interests</u>	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Long-term bank loan :				
Bank of Taiwan				
Land mortgage loan on Chang Hwa nylon plant 03.07. 2014~02.14.2022, 07.07.2014~02.14.2022, 03.02.2015~02.14.2022, 06.18.2015~02.14.2022 and 09.30.2015~02.14.2022. Interests to be paid monthly, the total loan amount is NT\$ 1 billion, loan repayment cycle is 6 months starting from 08.14.2016, the principal NT\$55,000 thousand is to be repaid in the first 9 months, the remaining principal is to be settled by maturity. (Note)		1.1364%~ 1.4429%	\$ 560,000	\$ 615,000
Bank of Taiwan				
Land mortgage loan on Chang Hwa nylon plant 06.29.2016~02.14.2022 and 11.28.2016~02.14.2022 and 02.13.2017~02.14.2022. Interests to be paid monthly, the total loan amount is NT\$987 million, loan repayment cycle is 6 months starting from 08.14.2017, the principal NT\$70,000 thousand is to be repaid in each of the first 7 cycles, the remaining principal is to be settled by maturity. (Note)		1.2104%~ 1.4958%	\$ 395,000	\$ 535,000
Chang Hwa Bank				
Interests paid monthly to Bank for Taipei branch's building mortgage loan 12.29.2017~12.29.2022 and 03.29.2018~12.29.2022, total loan amount is NT\$400 million, principal is divided into 16 repayments and shall be repaid every 3 months, cycle starts from 03.29.2019 till maturity.		1.4000%~ 1.7000%	200,000	300,000
Chang Hwa Bank				
Interests paid monthly to Bank for Taipei branch's building mortgage loan 12.30.2020~12.30.2023, total loan amount is NT\$375 million with principal repayment by maturity.		1.18978%	375,000	-

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	<u>Interests</u>	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
KGI Bank			
Interests paid monthly to Bank for Taipei branch's long-term credit loan 12.29.2020~10.29.2022, total loan amount is NT\$500 million with principal repayment by maturity.	1.18656%	<u>500,000</u>	<u>-</u>
		2,030,000	1,450,000
Less : Partially transferred to current liabilities due within one year		( <u>155,000</u> )	( <u>350,000</u> )
		<u>\$ 1,875,000</u>	<u>\$ 1,100,000</u>

Note : The maturity date of the original loan was February 14, 2021, which was extended to February 14, 2022 in July and September 2020, respectively.

The long-term loans on December 31, 2020 and 2019 were collateral for property, plant and equipment, please refer to Note THIRTEEN and TWENTY-NINE.

18. Retirement Benefit Plans

- (a) Defined contribution plans  
The pension system of the "Labor Pension Act" applicable to Li Peng Enterprise and its local subsidiaries is a government-managed retirement plan. The retirement pension is allocated to the labor insurance bureau based on 6% of the employee's monthly salary.

Subsidiaries in mainland China, in accordance with China government laws and regulations, provide pension insurance funds based on a certain percentage of the total salary of employees with payments made to relevant government departments, as well as into the individual's savings account of each employee.

- (b) Defined benefit plans  
Li Peng Enterprise 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 consolidated 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 consolidated 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 consolidated 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 the government's designated authorities; as such, the consolidated company does not have any right to intervene in the investments of the Funds. Amounts recognized in respect of these defined benefit plans were as follows :

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Present value of defined benefit obligation	\$ 352,539	\$ 366,112
Fair value of plan assets	( <u>116,734</u> )	( <u>103,413</u> )
Net defined benefit liability	<u>\$ 235,805</u>	<u>\$ 262,699</u>

Changes to net defined benefit liability (asset) are as follows :

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Jan 1, 2019 balance	<u>\$ 350,795</u>	<u>( \$ 81,867 )</u>	<u>\$ 268,928</u>
Service cost			
Current service cost	3,668	-	3,668
Net interest expense (income)	<u>3,946</u>	<u>( 1,051 )</u>	<u>2,895</u>
Remeasurement on the net defined benefit	<u>7,614</u>	<u>( 1,051 )</u>	<u>6,563</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	( 2,767 )	( 2,767 )
Actuarial loss ( gain ) — changes in demographic assumptions	177	-	177
Actuarial loss ( gain ) — changes in financial assumptions	16,471	-	16,471
Actuarial loss ( gain ) — from experience adjustment	<u>7,143</u>	<u>-</u>	<u>7,143</u>
Recognized in other comprehensive income	<u>23,791</u>	<u>( 2,767 )</u>	<u>21,024</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Paid by employer	\$ -	( \$ 32,221 )	( \$ 32,221 )
Benefit costs	( 16,088 )	14,493	( 1,595 )
Dec 31, 2019	<u>\$ 366,112</u>	<u>( \$ 103,413 )</u>	<u>\$ 262,699</u>
Jan 1, 2020 balance	<u>\$ 366,112</u>	<u>( \$ 103,413 )</u>	<u>\$ 262,699</u>
Service cost			
Current service cost	3,095	-	3,095
Interest expense ( income )	<u>2,746</u>	<u>( 863 )</u>	<u>1,883</u>
Recognized in profit and loss	<u>5,841</u>	<u>( 863 )</u>	<u>4,978</u>
Remeasurement			
Return on plan assets (excluding amounts including in net interest expense)	-	( 3,102 )	( 3,102 )

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Actuarial loss ( gain )			
— changes in financial assumptions	10,183	-	10,183
Actuarial loss ( gain )			
— from experience adjustment	( <u>16,044</u> )	<u>-</u>	( <u>16,044</u> )
Recognized in other comprehensive income	( <u>5,861</u> )	( <u>3,102</u> )	( <u>8,963</u> )
Paid by employer	-	( 22,909 )	( 22,909 )
Benefit cost	( <u>13,553</u> )	<u>13,553</u>	<u>-</u>
Dec 31, 2020	<u>\$ 352,539</u>	( <u>\$ 116,734</u> )	<u>\$ 235,805</u>

Movements in the fair value of the plan assets were as follows :

	2020	2019
Categorized by functions		
Operating cost	\$ 4,055	\$ 5,316
Management expense	638	887
R&D expense	<u>285</u>	<u>360</u>
	<u>\$ 4,978</u>	<u>\$ 6,563</u>

Through the defined benefits plans under the R.O.C. Labor Standards Law, the consolidated company is exposed to the following risks :

1. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, the debt investment returns of the planned assets will also increase accordingly. This will be partially offset by an increase in the return on the debt investments of the plan assets.
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 plan assets of the consolidated company and the present value of the defined benefit obligation are actuarial calculations performed by qualified actuaries. The key assumptions on the measurement date are as follows :

	Dec 31, 2020	Dec 31, 2019
Discount rate	0.50%	0.75%
Future salary increase rate	2.25%	2.25%

If the major actuarial assumptions are subject to reasonably possible changes, and all other assumptions remain unchanged, the amount that will increase (decrease) the present value of the defined benefit obligation is as follows :

	Dec 31, 2020	Dec 31, 2019
Discount rate		
Increase 0.25%	(\$ 10,183)	(\$ 11,096)
Decrease 0.25%	\$ 10,607	\$ 11,579
Expected salary increase rate		
Increase 0.25%	\$ 10,250	\$ 11,216
Decrease 0.25%	(\$ 9,895)	(\$ 10,808)

Since actuarial assumptions may be related, it is unlikely that only a single assumption will change, so the above sensitivity analysis may not reflect the actual changes in the present value of the defined benefit obligation.

	Dec 31, 2020	Dec 31, 2019
Expected withdrawn within 1 year	\$ 16,920	\$ 23,317
Defined benefit obligation average maturity	11.6 years	12.2 years

## 19. Equity

### (a) Shares

#### Common share

	Dec 31, 2020	Dec 31, 2019
Authorized shares ( in thousands )	1,200,000	1,200,000
Authorized capital	\$ 12,000,000	\$ 12,000,000
Issued and paid shares ( in thousands )	914,487	914,487
Issued capital	\$ 9,144,872	\$ 9,144,872

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and receive dividends.

(b) Capital reserve

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Using equity method to recognize the capital reserve of associates	\$ 60,067	\$ 59,926
Recognition of changes in ownership and equity of subsidiaries ( Note 25 )	435	-
Treasury stock trading	<u>74,118</u>	<u>74,118</u>
	<u>\$ 134,620</u>	<u>\$ 134,044</u>

The excess from the issuance of stocks in excess of the par value in the capital reserve (including the issuance of ordinary shares in excess of the par value, the share premium of the issuance of shares due to mergers, treasury stock transactions, and the difference in the book value of the acquisition or disposal of the equity price of a subsidiary company, etc.) and receiving gifts with proportional income can be used to make up for losses, and can also be used to pay cash dividends or to capitalize when the consolidated company isn't operating at a loss. However, the capital to be capitalized is limited to a fixed percentage of the paid-in capital each year.

The capital reserve generated by the investment using the equity method and all changes in the equity of the subsidiaries can only be used to make up for losses.

(c) Retained earnings and dividend policy

1. According to the surplus distribution policy of the consolidated company, if there is a surplus in the financial account at year end, the earnings shall first make up for the accumulated losses, and then to allocate 10% of the earnings according to the law as the statutory surplus reserve, but the statutory surplus reserve has reached the actual income of the total amount of capital, which may be exempted from continuing to be listed; the special surplus reserve may be transferred or converted into a special surplus reserve according to laws or regulations or by the authority. If there is a balance remained, add the accumulated undistributed surplus at the beginning of the period as the distributable surplus by allocating 0% to 100% of the distributable surplus. The board of directors will draft a surplus distribution proposal and submit it to the shareholders meeting for approval. In addition, the cash dividend must not be less than 5% of the total dividend, but if the cash dividend per share is less than NT\$0.1, it may be changed to offer stock dividends. Due to the volatile industrial business environment and the development of diversification, the board of directors may decide to change to offer stock dividends based on the capital budget and funds available. Please refer to Note TWENTY-ONE (SEVEN) Employee Compensation and Board of Directors' Compensation for the compensation policy stipulated in the policy articles of the consolidated company.
2. The appropriations of the 2019's loss compensation and 2018's annual earnings cases have been approved by the consolidated company's Board of Directors in its meetings held on June 18, 2020 and June 12, 2019, respectively.

	Retained earnings distribution plan		Dividend per share (NTD)	
	2019	2018	2019	2018
Legal capital reserve	\$ -	\$ 16,195	\$ -	\$ -
Special capital reserve	-	326,429	-	-
Cash dividends	-	182,898	-	0.2

The information about the consolidated company's distribution of surplus to shareholders is available at the Market Observation Post System website.

The consolidated company has filed and reverted in accordance with the requirements of FSC with certified documents No. 1010012865, No. 1010047490 and "Questions and Answers Concerning the Application of Special Surplus Reserves after the adoption of International Financial Reporting Standards (IFRSs)". If there is a subsequent reversal of the deduction balance of other shareholders' equity, the reversal part of the surplus may be distributed.

The legal capital reserve shall be allocated until the balance reaches the total paid-up share capital of the consolidated company. The legal capital reserve can be used to make up for losses. When the consolidated company is not operating under losses, the part of the legal capital reserve exceeding 25% of the total paid-up share capital can be allocated in cash in addition to the capital.

(d) Non-controlling interests

	2020	2019
Balance, beginning of the year	\$ 730,902	\$ 741,751
Impact of retrospective application of IFRS 16	-	( 5 )
Share attributable to uncontrollable equity		
Net profit (loss) in this period	( 2,324 )	5,315
Unrealized gains and losses of financial assets measured at fair value through other comprehensive income	207,181	( 16,159 )

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	2020	2019
The non-controlling interests changes of the subsidiary's cash capital increase not recognized according to the shareholding ratio	(\$ 435 )	\$ -
Non-controlling interests increased by increased cash capital of subsidiaries	9,000	-
Obtain increased non-controlling interests from subsidiaries	3,000	-
Balance, end of year	<u>\$ 947,324</u>	<u>\$ 730,902</u>

(e) Treasury stock

1. The changes in shares held by the consolidated company and its subsidiaries in 2019 and 2020 are as follows :

2020				
Reason for withdrawal	Shares, beginning of year	Increase	Decrease	Shares, end of year
Parent company's shares held by subsidiary	82,948,106	-	-	82,948,106
Shares transferred to employees	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>
	<u>90,948,106</u>	<u>-</u>	<u>-</u>	<u>90,948,106</u>
2019				
Reason for withdrawal	Shares, beginning of year	Increase	Decrease	Shares, end of year
Parent company's shares held by subsidiary	82,948,106	-	-	82,948,106
Shares transferred to employees	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>
	<u>90,948,106</u>	<u>-</u>	<u>-</u>	<u>90,948,106</u>

2. The purpose of holding Li Peng Enterprise's shares by subsidiaries is to protect shareholders' rights and interests, relevant information is as follows :

Subsidiary	Shares held	Amount transferred to treasury stock
<u>Dec 31, 2020</u>		
Li Mao Investment Co.	34,177,995	\$ 148,007
HungHsing Investment Co.	24,618,087	105,886
Li Shing Investment Co.	24,152,024	<u>103,845</u>
		<u>\$ 357,738</u>
<u>Dec 31, 2019</u>		
Li Mao Investment Co.	34,177,995	\$ 148,007
HungHsing Investment Co.	24,618,087	105,886
Li Shing Investment Co.	24,152,024	<u>103,845</u>
		<u>\$ 357,738</u>

3. On December 31, 2020, the consolidated company listed the amount of treasury stocks of NT\$432,403 thousand, including the amount of NT\$74,665 thousand that the consolidated company bought back treasury shares of and the amount of NT\$357,738 thousand transferred to the treasury stocks of the consolidated company held by its subsidiaries. The listed amounts have been adjusted according to the consolidated company's shareholding ratio in subsidiaries. The market price of the consolidated company's shares as of December 31, 2020 was NT\$9.02 per share.
4. The consolidated company holds treasury stocks, thus, it shall not be pledged in accordance with the Securities and Exchange Law, nor shall it enjoy the rights of dividend distribution and voting rights. In addition, subsidiaries holding the consolidated company's shares shall be treated as treasury stocks, except for not participating in cash reserve increment. Except for not having voting rights, the other rights remain the same as general shareholders.

20. Income

	2020	2019
Commodity sales revenue	\$ 13,097,359	\$ 13,991,016
Processing revenue	458,368	585,184
Other	<u>3,734</u>	<u>3,147</u>
	<u>\$ 13,559,461</u>	<u>\$ 14,579,347</u>

21. Continuing operation unit net profit

(a) Interest income

	2020	2019
Interest income		
Bank deposits	\$ 39,443	\$ 63,731
Interests from related parties	<u>5,864</u>	<u>1,517</u>
	<u>\$ 45,307</u>	<u>\$ 65,248</u>

(b) Other income

	2020	2019
Lease income		
Lease income of operations	\$ 15,943	\$ 18,145
Dividend income	1,738	78,083
Other ( Note 31 )	<u>107,180</u>	<u>28,949</u>
	<u>\$ 124,861</u>	<u>\$ 125,177</u>



(c) Other gains and losses

	<u>2020</u>	<u>2019</u>
Gain (loss) on disposal of property, plant and equipment	\$ 668	(\$ 1,307)
Net exchange difference	( 334,892 )	( 93,792 )
Disposal of investment interests using the equity method	51	-
Gain (loss) on financial assets and net liability at FVTPL	29,449	( 9,694 )
Gain on disposal of investments	341	791
Other losses	( <u>2,583</u> )	( <u>1,915</u> )
	<u>( \$ 306,966 )</u>	<u>( \$ 105,917 )</u>

(d) Financial cost

	<u>2020</u>	<u>2019</u>
Interests of lease liability	\$ 10	\$ 5
Interest of bank loan	52,788	61,548
Interest of loan from related parties	663	995
Financial expenses	<u>3,036</u>	<u>1,189</u>
	<u>\$ 56,497</u>	<u>\$ 63,737</u>

Information about interest capitalization is as follows :

	<u>2020</u>	<u>2019</u>
Interest capitalization amount	\$ 1,415	\$ 907
Interest capitalization rate	1.19898%-1.51968%	1.51401%-1.51874%

(e) Depreciation and amortization

	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 617,672	\$ 614,096
Right of use assets	192	60
Intangible assets	6,472	9,011
Down payment	<u>71,701</u>	<u>94,388</u>
Total	<u>\$ 696,037</u>	<u>\$ 717,555</u>
Categorized depreciation expenses by function		
Operating cost	\$ 603,430	\$ 599,399
Operating expenses	<u>14,434</u>	<u>14,757</u>
	<u>\$ 617,864</u>	<u>\$ 614,156</u>

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	2020	2019
Categorized amortization expenses by function		
Operating cost	\$ 75,687	\$ 102,160
Operating expenses	<u>2,486</u>	<u>1,239</u>
	<u>\$ 78,173</u>	<u>\$ 103,399</u>

(f) Expenses for employee benefits

	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Short-term employee benefits	\$ 595,846	\$ 140,249	\$ 736,095	\$ 656,660	\$ 137,141	\$ 793,801
Retirement benefits						
Defined contribution plan	17,675	5,085	22,760	18,612	5,124	23,736
Defined benefit plan ( Note 18 )	<u>4,055</u>	<u>923</u>	<u>4,978</u>	<u>5,316</u>	<u>1,247</u>	<u>6,563</u>
	21,730	6,008	27,738	23,928	6,371	30,299
Compensation to directors	-	3,484	3,484	-	3,060	3,060
Other employee benefit	<u>57,744</u>	<u>9,154</u>	<u>66,898</u>	<u>64,498</u>	<u>9,880</u>	<u>74,378</u>
Total expenses of employee benefit	<u>\$ 675,320</u>	<u>\$ 158,895</u>	<u>\$ 834,215</u>	<u>\$ 745,086</u>	<u>\$ 156,452</u>	<u>\$ 901,538</u>

(g) Employees' and Boards' remunerations

According to the provisions of the consolidated company's policy articles, the consolidated company uses the pre-tax benefits of the current year to deduct the remuneration of employees and directors at a rate of no less than 2% and no more than 5% for employees' compensation and directors' compensation.

In 2020 and 2019, pre-tax losses occurred, so employees' compensation and directors' compensation are not estimated.

For information on employees' compensation and directors' compensation of the consolidated company's 2020 and 2019 board resolutions, please refer to the "Public Information Observatory" of the Taiwan Stock Exchange website.

22. Continuing operating business unit's income tax

(a) The main components of income tax benefits recognized in profit and loss :

	2020	2019
Current income tax expense		
Recognized in the current year	\$ 2,344	\$ 643
Income tax on unappropriated earnings	1,069	1,875
Adjustments on prior years	<u>822</u>	<u>1,507</u>
	<u>4,235</u>	<u>4,025</u>
Deferred income tax		
Recognized in the current year	( 122,442 )	( 72,721 )
Adjustment on prior year	<u>( 319 )</u>	<u>-</u>
	<u>( 122,761 )</u>	<u>( 72,721 )</u>
Income tax benefits recognized in profit and loss	<u>( \$ 118,526 )</u>	<u>( \$ 68,696 )</u>

The adjustment of accounting income and current income tax benefits is as follows :

	2020	2019
Income tax benefits at the statutory tax rate for net loss before tax	(\$ 101,630)	(\$ 58,206)
Tax effect of adjusting items		
Investment (profit) loss recognized by the equity method	( 5,534)	3,813
Financial asset evaluation benefits	( 594)	( 1,265)
Gain on disposal of investment	( 2,383)	( 157)
Tax-exempt dividend income	( 348)	( 18,964)
Realized investment losses	8,685	13,815
Tax-exempt stock exchange income and fees with interest adjustment	73	78
Realized investment losses	-	( 8,558)
Tax-exempt subsidy income	( 16,434)	-
Unrecognized loss in prior year to be deducted in the current year	( 852)	-
Other	( 1,081)	( 2,634)
Adjustment on income tax expenses in prior year	503	1,507
Income tax on unappropriated earnings	<u>1,069</u>	<u>1,875</u>
Income tax benefits recognized in profit and loss	(\$ <u>118,526</u> )	(\$ <u>68,696</u> )
(b) Current income tax liabilities	Dec 31, 2020	Dec 31, 2019
Current income tax liabilities		
Income tax payable	\$ 3,379	\$ 2,518
Less : tax paid in current year	( <u>576</u> )	( <u>688</u> )
	<u>\$ 2,803</u>	<u>\$ 1,830</u>
(c) Deferred income tax assets and liabilities	Dec 31, 2020	Dec 31, 2019
<u>Deferred income tax assets</u>		
Temporary difference		
Allowance for loss of inventory depreciation	\$ 28,536	\$ 42,753
Unallocated inventory cost for manufacturing	10,289	8,583
Unrealized exchange loss	16,482	18,172

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	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Unrealized loss of financial liabilities measured at FVTPL	\$ -	\$ 5,419
Pension tax difference	8,626	11,893
Defined actuarial profit and loss of retirement plan	17,892	17,892
Sales discount preparation	4,074	4,331
Loss deduction	275,736	130,776
Bonus for no-leave	3,689	3,686
Unrealized gross loss	93	-
Other	<u>541</u>	<u>541</u>
	<u>\$ 365,958</u>	<u>\$ 244,046</u>
<u>Deferred income tax liability</u>		
Unrealized gross loss	\$ -	\$ 849
Land appreciation tax preparation	<u>146,650</u>	<u>146,650</u>
	<u>\$ 146,650</u>	<u>\$ 147,499</u>

- (d) The deducted amount of unlisted losses of deferred income tax assets not recognized in the consolidated balance sheet.

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Loss deduction		
Due in 2029	\$ -	\$ 852
Due in 2030	<u>3,105</u>	<u>-</u>
	<u>\$ 3,105</u>	<u>\$ 852</u>

- (e) Unlisted loss deduction information

As of Dec 31, 2020, the loss deduction information is as follows :

<u>Balance yet deducted</u>	<u>Year due</u>
\$ 655,469	2029
<u>727,905</u>	2030
<u>\$ 1,383,374</u>	

- (f) Li Peng Enterprise, Li Mao Investment Co, Li Shing Co. and Hung Hsing Co.'s income tax declarations for commercial businesses, as well as the income tax declaration for businesses, from the past until (including) year 2018, have been approved by the inspection authority.

## 23. Loss per share

The consolidated company's loss per share in 2020 and 2019 is as calculated as follows:

	Amount (numerator)				Loss per share (NTD)		
	Before tax (Non-deducted uncontrollable interests)	After tax (Non-deducted uncontrollable interests)	Net profit (loss) (Belong to parent company's shareholder)	Share (denominator) (thousand share)	Before tax (non-deducted uncontrollable interests)	After tax (non-deducted uncontrollable interests)	Net profit (loss) (belong to parent company's shareholder)
<u>2020</u>							
Basic loss per share							
The net loss attributable to ordinary shareholders for the period	(\$ 532,859)	(\$ 414,333)	(\$ 412,009)	862,390	(\$ 0.62)	(\$ 0.48)	(\$ 0.48)
<u>2019</u>							
Basic loss per share							
The net loss attributable to ordinary shareholders for the period	(\$ 312,747)	(\$ 244,051)	(\$ 249,366)	862,390	(\$ 0.36)	(\$ 0.28)	(\$ 0.29)

If the consolidated company chooses to pay employee compensation in stocks or cash, when calculating the diluted earnings per share, it is assumed that employee compensation will be paid in the form of stocks, and the weighted average number of shares outstanding as the diluted potential common stock is calculated as diluted earnings per share. When calculating the diluted earnings per share before deciding on the number of shares to be paid to employee compensation in the following year, the dilution of these potential ordinary shares will also be accounted.

## 24. Business consolidation

### (a) Acquisition of subsidiary

	Main operating activity	Acquisition date	With voting rights ownership interest/ Acquisition ratio (%)	Transfer consideration
Libolon Energy Co. Ltd.	Renewable energy powered equipment and cogeneration industry	Jul 1, 2020	55%	\$ 550

### (b) Assets acquired and liabilities assumed on the acquisition date

	Libolon Energy Co. Ltd.
Current assets	
Cash and cash equivalent	\$ 942
Other current assets	1
Current liabilities	435
Other accounts payable	(60)
	\$ 883

(c) Obtaining the net cash inflow from the subsidiary

	Jan 1 to Jun 30, 2020
Cash payment consideration	\$ 550
Less : acquired cash and cash equivalent balance	( 942 )
	( \$ 392 )

(d) The impact of business consolidation on business results

Since the acquisition date, the operating results from the acquired company are as follows :

	Jul 1 to Dec 31, 2020
Operating income	
Libolon Energy	\$ -
Loss after tax	
Libolon Energy	( \$ 2,988 )

25. Equity transactions with non-controlling interests

In September 2020, the consolidated company did not subscribe for the cash capital increase of Libolon Energy Co. Ltd. in proportion to its shareholding ratio, resulting in the shareholding ratio falling from 100% to 70%.

Since the above transaction did not change the controlling of the subsidiary by the consolidated company, which was treated as an equity transaction, and the balance of equity transaction was NT\$435 thousand which was accounted for under the capital reserve.

26. Capital risk management

The consolidated company conducts capital management to ensure that it can be withdrawn before continuing to operate, and maximizes shareholder compensation by optimizing the balance of debt and equity. The overall strategy of the consolidated company has not changed.

The consolidated company has no other restrictions on external capital regulations.

27. Financial instruments

(a) Fair value information—Financial instruments not measured at fair value

The management of the consolidated company believes that the book value of financial assets and financial liabilities that are not measured at fair value reaches their fair value or their fair value cannot be reliably measured.

(b) Fair value information — Financial instruments measured at fair value on a repeatability basis

Dec 31, 2020

	Grade 1	Grade 2	Grade 3	Total
Financial assets measured at fair value through profit and loss				
Listed (OTC) stocks	\$ 101,160	\$ -	\$ -	\$ 101,160
Fund beneficiary certificate	119,125	-	-	119,125
Not listed (OTC) common stocks	-	-	11,395	11,395
Not listed abroad (OTC) common stocks	-	-	430	430
Structured deposits	-	98,098	-	98,098
Financial products	-	173,591	-	173,591
Total	<u>\$ 220,285</u>	<u>\$ 271,689</u>	<u>\$ 11,825</u>	<u>\$ 503,799</u>

Financial assets measured at fair value through other comprehensive income				
Domestic listed stocks	<u>\$ 2,358,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,358,662</u>

Dec 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit and loss				
Listed (OTC) stocks	\$ 58,104	\$ -	\$ -	\$ 58,104
Not listed (OTC) common stocks	-	-	13,017	13,017
Not listed abroad (OTC) common stocks	-	-	430	430
Structured deposits	-	4,126	-	4,126
Financial products	-	238,867	-	238,867
Total	<u>\$ 58,104</u>	<u>\$ 242,993</u>	<u>\$ 13,447</u>	<u>\$ 314,544</u>

Financial assets measured at fair value through other comprehensive income				
Domestic listed stocks	<u>\$ 1,824,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,824,018</u>

Financial liabilities measured at fair value through profit and loss				
Exchange contract	<u>\$ -</u>	<u>\$ 27,094</u>	<u>\$ -</u>	<u>\$ 27,094</u>

No transfer of the fair value measurement between level 1 and level 2 in year 2019 and 2020.

(c) Valuation techniques and assumptions used in level 2 fair value measurement :

Type of financial instruments	Evaluation technology and input value
Derived instrument—exchange contract	Discounted cash flow method: Estimate the future cash flow based on the exchange rate calculated in the observable exchange contract at the end of the period, and discount it separately at a rate that can reflect the credit risk of each counterparty.

- (d) Valuation techniques and assumptions used in level 3 fair value measurement :  
Non-publicly traded (OTC) equity investment adopts the asset method to reflect the overall value of the investment target based on the total value of individual assets and liabilities.

- (e) Types of financial instruments

	Dec 31, 2020	Dec 31, 2019
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 503,799	\$ 314,544
Financial assets measured by amortized cost (note 1)	4,127,426	4,997,814
Financial assets measured through other comprehensive income		
Equity instrument investment	2,358,662	1,824,018
<u>Financial liabilities</u>		
Held for trading measured at FVTPL	-	27,094
Financial liabilities measured by amortized cost (note 2)	6,717,233	7,143,670

Note 1 : The balance includes cash and cash equivalents, notes and accounts receivable and other financial assets measured at amortized cost.

Note 2 : The balance includes short-term loans, short-term bills payable, bills payable, accounts payable, other payables, advance loans to related parties, and financial liabilities derived from long-term loans measured at amortized cost.

- (f) Derivative financial products

1. The realized net profit from the operation of derivative financial products in 2020 was NT\$ 32,117 thousand, which was accounted for under other interests and losses.
2. In 2019, the operation of derivative financial products incurred an unrealized net loss of NT\$27,094 thousand and a realized net profit of NT\$91,295 thousand, which are accounted for under other profits and losses.

- (g) Financial risk management objectives and policies

The main financial instruments of the consolidated company include equity and debt investments, borrowings, lease liabilities, accounts receivable and accounts payable, etc. The financial management department of the consolidated company provides services for various business units, coordinates access to domestic and international financial markets, and supervises and manages the financial risks related to the



operations of the consolidated company by analyzing internal risk reports based on the degree and breadth of risk. These risks include market risk (exchange rate risk), credit risk and liquidity risk.

The consolidated company uses derivative financial instruments to avoid the impact of exchange rate risk. The use of derivative financial instruments is regulated by the policies adopted by the board of directors of the consolidated company, which are written principles for exchange rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of remaining liquid funds. Internal auditors continue to review compliance with policies and the risk limit. The consolidated company did not trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The main financial risk of the consolidated company's operating activities that the company bears is the risk of foreign currency exchange rates.

Exchange rate risk: occur in future commercial transactions, recognized assets and liabilities, and foreign exchange trading transactions to avoid exchange rate changes.

The consolidated company's risk exposure related to financial instrument market risks and its management and measurement methods have not changed.

Sensitivity analysis

The consolidated is mainly influenced by the USD exchange rate fluctuation. The following table details the sensitivity analysis of the consolidated company when the exchange rate of the New Taiwan Dollar (functional currency) to the U.S. dollar increases and decreases by 0.5%. 0.5% is the assessment of the reasonably possible range of changes in the foreign currency exchange rate of the consolidated company. Sensitivity analysis includes only monetary items in foreign currencies in circulation, and their conversion at the end of the period is adjusted with a 0.5% change in exchange rate. The positive numbers in the following table represent the amount of increase in net profit before tax when the New Taiwan Dollar depreciates 0.5% relative to the relevant currencies; when the New Taiwan Dollar appreciates 0.5% relative to the relevant currencies, its impact on the net profit before tax will be the same negative number of the amount.

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
0.5% difference in the exchange rate of USD profit and loss	\$ 8,237	\$ 19,332

2. Credit risk

Credit risk refers to the risk of the consolidated company's financial losses caused by the counterparty's default of contract obligations. In order to reduce credit risk, the consolidated company has the right to request for collateral or other guarantees from major transaction partners. Accordingly, the management of the consolidated company believes that the credit risk has been significantly reduced.

3. Liquidity risk

The consolidated company manages and maintains sufficient cash and cash equivalents to support the consolidated company's operations and reduce the impact of cash flow fluctuations. The management of the consolidated company supervises the use of bank financing lines and ensures compliance with the terms of the loan contract.

Bank loans are an important source of liquidity for the consolidated company. As of December 31, 2020 and 2019, the unutilized short-term bank financing lines of the consolidated company were NT\$12,640,721 thousand and NT\$13,698,227 thousand, respectively.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

The remaining contract maturity analysis of non-derivative financial liabilities is based on the earliest possible repayment date of the consolidated company and is compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank loans that the consolidated company can be required to repay immediately are within the earliest period in the table below, regardless of the probability of the bank immediately executing the right; the maturity analysis of other non-derivative financial liabilities is compiled in accordance with the agreed repayment date. Analysis as below:

Dec 31, 2020

Non-derived financial liabilities	In 1 year	1 to 2 years	Over 2 years
Short-term loan	\$ 2,044,000	\$ -	\$ -
Short-term bills payable	1,120,000	-	-
Notes payable (including related parties)	63,470	-	-
Accounts payable (including related parties)	1,058,224	-	-
Other payable	316,539	-	-
Loan payable to related parties	85,000	-	-
Lease liabilities (current and non-current)	115	183	366
Liability preparation	20,372	-	-
Long-term loan (including 1 year or due within the operating cycle)	155,000	1,500,000	375,000
Deposited security	1,176	-	-
	<u>\$ 4,863,896</u>	<u>\$ 1,500,183</u>	<u>\$ 375,366</u>

<u>Dec 31, 2019</u>			
Non-derived financial liabilities	In 1 year	1 to 2 years	Over 2 years
Short-term loan	\$ 4,050,000	\$ -	\$ -
Short-term bills payable	620,000	-	-
Notes payable (including related parties)	77,164	-	-
Accounts payable (including related parties)	491,182	-	-
Other payable	335,324	-	-
Loan payable to related parties	120,000	-	-
Lease liabilities (current and non-current)	246	246	738
Liability preparation	21,653	-	-
Long-term loan (including 1 year or due within the operating cycle)	350,000	1,000,000	100,000
Deposited security	1,475	-	-
	<u>\$ 6,067,044</u>	<u>\$ 1,000,246</u>	<u>\$ 100,738</u>

(2) Liquidity of derived financial liabilities

For the liquidity analysis of derivative financial instruments, for derivative instruments that are settled on a net basis, it is compiled on the basis of undiscounted contract net cash inflows and outflows; for derivative instruments that are settled on a gross basis, it is compiled on the basis of undiscounted net cash inflows and outflows. It is prepared based on the current total cash inflows and outflows.

<u>Dec 31, 2019</u>				
derivative financial liabilities	In 1 year	1 to 2 years	2 to 5 years	Over 5 years
<u>Net delivery</u>				
Exchange contract	<u>\$ 27,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

28. Trading with Related Parties

Trading between Li Peng Enterprise and its subsidiaries (related parties), and account balance, income and expenses are all eliminated at the time of consolidation, so they are not disclosed in this note. The transactions between the consolidated company and other related parties are as follows.

(a) Related parties and association

Related parties	Association with the Company
LEALEA ENTERPRISE CO. LTD.	Investors with significant influence
FU LI TRANSPORTAION CO.	Associated company
LEA JIE ENERGY CO. LTD.	Associated company
LIBOLON ENTERPRISE CO. LTD.	Associated company

(continued in next page)

( continued from last page )

Related parties	Association with the Company
RICH DEVELOPMENT CO. LTD.	Associated company
LI LING FILM CO. LTD.	Associated company
LEALEA TECHNOLOGY CO. LTD.	Associated company
LI ZAN INVESTMENT CO. LTD.	Associated company
LI HAO INVESTMENT CO. LTD.	Associated company
LIBOLON ENERGY CO. LTD.	Associated company originally, subsidiary since July 2020
PT. INDONESIA LIBOLON FIBER SYSTEM	Other related parties originally, associated company since May 2020
LIBOLON INTERNATIONAL CORP.	Other
APEX FONG YI TECHNOLOGY CO. LTD.	Other

(b) Operating income

Accounting item	Type of associate / name	2020	2019
Sales revenue	Investors with significant influence	\$ 574,043	\$ 528,482
	Associated company	340,174	152,181
	Other	23,496	39,809
		<u>\$ 937,713</u>	<u>\$ 720,472</u>

There is no significant difference between the consolidated company's sales to associated companies and general transactions with other related parties.

(c) Procured goods

Type of associate	2020	2019
Investors with significant influence	\$ 554,397	\$ 743,148
Associated company	15,223	-
Other	29,417	120,831
	<u>\$ 599,037</u>	<u>\$ 863,979</u>

(d) Amounts receivable from related parties (excluding loans to related parties)

Accounting item	Type of associate / name	Dec 31, 2020	Dec 31, 2019
Note receivable	Investors with significant influence	\$ -	\$ -
	Associated company		
	LI LING FILM CO. LTD.	52,264	13,641
		<u>52,264</u>	<u>13,641</u>

( continued in next page )

( continued from last page )

Accounting item	Type of associate / name	Dec 31, 2020	Dec 31, 2019
Accounts receivable	Investors with significant influence	\$ 89,732	\$ 25,811
	Associated company	70,418	13,825
	Other	<u>1,609</u>	<u>12,318</u>
		<u>161,759</u>	<u>51,954</u>
Other receivable	Investors with significant influence		
	LEALEA ENTERPRISE CO. LTD.	7,232	5,228
	Associated company	<u>1,886</u>	<u>1,466</u>
		<u>9,118</u>	<u>6,694</u>
		<u>\$ 223,141</u>	<u>\$ 72,289</u>

No guarantee is received for the accounts receivable from related parties. No allowance for losses is provided for accounts receivable from related parties in 2019 and 2020. The collection and payment deadlines for the consolidated company and related parties are not materially differentiated from those for general customers and manufacturers.

(e) Accounts payable to related parties (excluding borrowings from related parties)

Accounting item	Type of associate / name	Dec 31, 2020	Dec 31, 2019
Notes payable	Investors with significant influence		
	LEALEA ENTERPRISE CO. LTD.	\$ 6,579	\$ 15,630
	Associated company	<u>2,126</u>	<u>2,355</u>
		<u>8,705</u>	<u>17,985</u>
Accounts payable	Investors with significant influence		
	LEALEA ENTERPRISE CO. LTD.	94,729	54,513
	Associated company	2,406	3,089
	Other	<u>-</u>	<u>7,174</u>
		<u>97,135</u>	<u>64,776</u>
Payable for purchase of equipment	Investors with significant influence	315	-
	Associated company	<u>-</u>	<u>798</u>
		<u>315</u>	<u>798</u>
		<u>\$ 106,155</u>	<u>\$ 83,559</u>

The balance of the outstanding accounts payable to related parties is not guaranteed.

(f) Disposal of property, plant and equipment

Type of associate / name	Disposal price		Disposal profit ( loss )	
	2020	2019	2020	2019
Associated company	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>

(g) Acquisition of property, plant and equipment

Type of associate / name	Acquisition price	
	2020	2019
Investors with significant influence	\$ 439	\$ -
Associated company	4,629	2,882
Other	-	61,326
	<u>\$ 5,068</u>	<u>\$ 64,208</u>

(h) Equity transaction  
2020

Type of associate / name	Accounting item	Shares traded	Trade to	Acquisition price
Investors with Significant influence	Investment using equity method	55,000 shares	Libolon Energy Co. Ltd.	<u>\$ 550</u>

(i) Acquisition of other assets

Type of associate	Accounting item	Acquisition price	
		2020	2019
Associated company	Other intangible assets – computer software	<u>\$ 2,866</u>	<u>\$ 5,343</u>

(j) Loan to related parties

Dec 31, 2020					
	Highest balance	Balance, end of year	Interest range( % )	Interest income	Interest receivable
Investors with significant influence					
Lealea Enterprise Co. LTD.	\$ 238,000	\$ 218,000	0.82040~0.91554	\$ 1,295	\$ 161
Associated company					
PT. INDONESIA LIBOLON FIBER SYSTEM	728,818	284,800	1.43044~3.19860	4,538	356
LI LING FILM CO. LTD.	50,000	<u>50,000</u>	1.42565~1.47000	<u>31</u>	<u>25</u>
		<u>\$ 552,800</u>		<u>\$ 5,864</u>	<u>\$ 542</u>
Dec 31, 2019					
	Highest balance	Balance, end of year	Interest range( % )	Interest income	Interest receivable
Investors with significant influence					
Lealea Enterprise Co. LTD.	<u>\$ 204,000</u>	<u>\$ 164,000</u>	0.89919~0.98599	<u>\$ 1,517</u>	<u>\$ 133</u>

The consolidated company provides short-term loans to investors with significant influence, and the interest rate range is similar to the market interest rate.

(k) Loan from related parties

Dec 31, 2020					
	Highest balance	Balance, end of year	Interest range( % )	Interest income	Interest receivable
Associated company					
Li Hao Investment Co. Ltd.	\$ 75,000	\$ 55,000	0.76715~0.90479	\$ 424	\$ 36
Li Zan Investment Co. Ltd.	45,000	30,000	0.76715~0.90479	238	20
Lealea Technology Co. Ltd.	700	-	1.57810~1.59478	1	-
		<u>\$ 85,000</u>		<u>\$ 663</u>	<u>\$ 56</u>
Dec 31, 2019					
	Highest balance	Balance, end of year	Interest range( % )	Interest income	Interest receivable
Associated company					
Li Hao Investment Co. Ltd.	\$ 75,000	\$ 75,000	0.89598~0.97842	\$ 628	\$ 59
Li Zan Investment Co. Ltd.	45,000	45,000	0.89598~0.97842	367	36
		<u>\$ 120,000</u>		<u>\$ 995</u>	<u>\$ 95</u>

The borrowing interest rate of the consolidated company's loan from related parties is equivalent to the market interest rate. Loans from associates and other related parties are all credit loans.

(l) Other

Purchases — freight	2020	2019
Associated company	<u>\$ 28,261</u>	<u>\$ 38,637</u>
Operating expense — export	2020	2019
Associated company	<u>\$ 22,549</u>	<u>\$ 29,959</u>
Rental income	2020	2019
Investors with significant influence		
Lealea Enterprise Co. Ltd.	\$ 6,694	\$ 6,726
Associated company		
Lealea Technology Co. Ltd.	4,106	3,952
Associated company	1,080	1,195
Other	10	10
	<u>\$ 11,890</u>	<u>\$ 11,883</u>

The rental income collected by the consolidated company from related parties is based on the local general market rate, and the payment period is one-month promissory note.

Other income	2020	2019
Investors with significant influence		
Lealea Enterprise Co. Ltd.	\$ 18,989	\$ 20,231
Associated company	3,691	1,706
Other	56	96
	<u>\$ 22,736</u>	<u>\$ 22,033</u>
Lease expense	2020	2019
Investors with significant influence		
Lealea Enterprise Co. Ltd.	\$ 28,217	\$ 28,043
Associated company		
Rich Development Co. Ltd.	5,011	4,844
	<u>\$ 33,228</u>	<u>\$ 32,887</u>

The rent paid by the consolidated company to related parties is based on the local general market rate, and the payment period is one-month promissory note.

Tech service fees	2020	2019
Associated company		
Lealea Technology Co. Ltd.	<u>\$ 24,610</u>	<u>\$ 24,409</u>
Manufacturing expense—steam	2020	2019
Investors with significant influence		
Lealea Enterprise Co. Ltd.	<u>\$ 92,425</u>	<u>\$ 129,785</u>
Environmental maintenance expense	2020	2019
Investors with significant influence		
	<u>\$ 2,065</u>	<u>\$ 2,293</u>
Manufacturing expense—coal disposal	2020	2019
Associated company		
Lea Jie Energy Co. Ltd.	<u>\$ 914</u>	<u>\$ 914</u>
Fuel cost—coal	2020	2019
Associated company		
Lea Jie Energy Co. Ltd.	<u>\$ 104,570</u>	<u>\$ 135,106</u>

(m) Salary of senior management

The total remuneration for directors and other senior management is as follows :

	2020	2019
Short-term employee benefits	\$ 19,829	\$ 19,792
Retirement benefits	296	199
	<u>\$ 20,125</u>	<u>\$ 19,991</u>



The remuneration of directors and senior management is determined by the remuneration committee in accordance with individual performance and market trends.

(n) Other related parties' transactions

Type of associate	I t e m	Price of contracted but unfinished (untaxed) Dec 31, 2020	Prepaid equipment balance Dec 31, 2020
Associated company Lealea Technology Co. Ltd.	Software	\$ 440	\$ -

Type of associate	I t e m	Price of contracted but unfinished (untaxed) Dec 31, 2019	Prepaid equipment balance Dec 31, 2019
Associated company Lealea Technology Co. Ltd.	Software	\$ 170	\$ -

29. Pledged assets

The following assets of the consolidated company have been provided as collateral for financial institutions.

	Dec 31, 2020	Dec 31, 2019
Pledged deposit receipt (note 6)	\$ 2,000	\$ 2,000
Financial assets at FVTOCI— non-current (note 10)	431,732	313,006
Property, plant and equipment (note 13)	3,978,909	4,298,101
	<u>\$ 4,412,641</u>	<u>\$ 4,613,107</u>

30. Significant contingent liabilities and unrecognized commitments

Except as mentioned in other notes, the consolidated company has the following major commitments and contingencies on the balance sheet date :

On December 31, 2019 and 2020, the consolidated company still has issued and unused letters of credit. The details are as follows :

	Unit : foreign currency in thousands	
	Dec 31, 2020	Dec 31, 2019
USD	\$ 66,080	\$ 23,057
EUR	-	10
JPY	503,930	-
NTD	290,367	299,553

31. Other matters

The consolidated company was affected by the global pandemic of the Covid -19, as business orders dropped, resulting in a significant drop in operating income. However, as the pandemic slows down and policies are loosened, the consolidated company expects that operations will gradually return to normal. In response to the impact of the pandemic, the consolidated company has taken the following actions:

(a) Adjust operational strategies

In addition to reducing planned production during the period of the Covid-19 spread, the consolidated company has added fabric e-commerce in its operating strategy, strengthened domestic sales, foundry markets, and newly developed non-textile industry markets. It also added anti-bacterial and anti-virus functions in the clothes in response to epidemic prevention.

(b) Fund raising strategies

No major fund-raising activity has been implemented due to the impact of the Covid-19 pandemic.

(c) Government relief grants

The consolidated company has applied to the following government relief grants :

1. Subsidies on salary and operations received in NT\$82,170 thousand were recognized as other income.
2. Received a reduction of 30% on the water and electricity bills, a total of NT\$40,666 thousand from Jan 1<sup>st</sup> to Dec 31<sup>st</sup> 2020.
3. According to the "Severe Special Infectious Pneumonia Prevention Plan for Industrial Zones during the Epidemic Prevention Plan", company can apply for a 20% reduction in rent and a 50% reduction in public facility maintenance fees. The implementation period of the program is from January 15, 2020 to June 30, 2021.

The consolidated company has incorporated the economic impact caused by the epidemic into major accounting estimates based on the information available on the balance sheet date and has no significant impact.

32. Significantly influencing foreign currency financial assets and liabilities information

The following information is summarized and expressed in foreign currencies other than the functional currencies of the consolidated company. The disclosed exchange rates

refer to the exchange rates of these foreign currencies into functional currencies. Foreign currency assets and liabilities with significant impact are as follows :

		Unit : Foreign currency / NTD in thousand Dec 31, 2020		
Company	Financial assets	Foreign currency	Exchange rate	Carrying amount
	<u>Currency items</u>			
Li Peng Enterprise	USD	\$ 97,994,497	28.48 ( USD : NTD )	\$ 2,790,883
"	RMB	20,585,960	4.377 ( RMB : NTD )	90,105
Intalent Investments Limited	USD	28,050,660	6.5067 ( USD : RMB )	798,878
Eton Petrochemical	USD	14,579,614	28.48 ( USD : NTD )	415,227
	<u>Non currency items</u>			
Li Peng Enterprise	Financial assets measured at FVTPL — non-current USD	96,149	28.48 ( USD : NTD )	2,738
"	Investment using equity method RMB	68,265,018	4.377 ( RMB : NTD )	298,796
	IDR	246,819,202,615	0.0020191 ( IDR : NTD )	498,353
Eton Petrochemical	Investment using equity method USD	800	28.48 ( USD : NTD )	23
	<u>Financial liability</u>			
	<u>Currency items</u>			
Li Peng Enterprise	USD	37,773,605	28.48 ( USD : NTD )	1,075,792
"	RMB	355,788	4.377 ( RMB : NTD )	1,557
Intalent Investments Limited	USD	28,143,338	6.5067 ( USD : RMB )	801,517
Eton Petrochemical	USD	16,860,220	28.48 ( USD : NTD )	480,179

Company	Financial assets	Dec 31, 2019		
		Foreign currency	Exchange rate	Carrying amount
	<u>Currency items</u>			
Li Peng Enterprise	USD	\$ 136,586,678	29.98 (USD : NTD)	\$ 4,094,869
"	RMB	21,798,341	4.3050 (RMB : NTD)	93,842
Intalent Investments Limited	USD	17,334,984	6.9640 (USD : RMB)	519,703
	<u>Non currency item</u>			
Li Peng Enterprise	Financial assets at FVMTPL — non-current			
	USD	96,149	29.98 (USD : NTD)	2,883
"	Investment using equity method			
	RMB	65,430,099	4.3050 (RMB : NTD)	281,677
	IDR	7,048,573,893	0.0021567 (IDR : NTD)	15,201
	<u>Financial liability</u>			
	<u>Currency items</u>			
Li Peng Enterprise	USD	7,035,836	29.98 (USD : NTD)	210,934
Intalent Investments Limited	USD	17,920,670	6.9640 (USD : RMB)	537,262
	<u>Non currency items</u>			
	Derived instrument			
Li Peng Enterprise	USD	148,000,000 (Nominal principal)	29.98 (USD : NTD)	27,094

The consolidated company's unrealized foreign currency exchange losses in 2019 and 2020 were NT\$91,065 thousand and NT\$54,257 thousand, respectively. Due to the wide variety of currencies in foreign currency transactions, it is impossible to disclose the exchange gains and losses according to the foreign currencies that have major impacts.

### 33. Disclosed items in notes

#### (a) Major transaction items and (b) reinvestment business related information :

1. Loan to others. (attached table 1)
2. Endorsement for others. (NA)
3. Holding marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint venture equity). (attached table 2)

4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more than 20% of the paid-in capital. ( attached table 3 )
  5. Acquired real estate with an amount of NT\$300 million or more than 20% of the paid-in capital. ( NA )
  6. Disposal of real estate with an amount of NT\$300 million or more than 20% of the paid-in capital. ( NA )
  7. The amount of purchase and sale of goods with related parties reaches NT\$100 million or more than 20% of the paid-in capital. ( attached table 4 )
  8. Accounts receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital. ( attached table 5 )
  9. Engage in derivatives trading. ( note 27 )
  10. Other: business relationships and important transactions and amounts between parent and subsidiary companies and between subsidiaries. (attached table 6 )
  11. Invested company's information. ( attached table 7 )
- (c) Information on investments in China :
1. The name of the mainland investee company, main business items, paid-in capital, investment methods, capital remittances and exits, shareholding ratio, investment gains and losses, investment book amount at the end of the period, repatriated investment gains and losses, and limits for investments to mainland China. (attached table 8)
  2. The following major transactions, prices, payment terms, and unrealized gains and losses occurred directly or indirectly with the investee company in mainland China via the third region: (attached table 9)
- (1) The amount and percentage of purchases and the ending balance and percentage of related accounts payable.
  - (2) The amount and percentage of sales and the ending balance and percentage of related accounts receivable.
  - (3) The amount of property transactions and the profits and losses generated.
  - (4) The ending balance of the bill endorsement guaranteed or collateral provided and its purpose.
  - (5) The maximum balance, ending balance, interest rate range and total interest of the current period of the financial intermediation.
  - (6) Other transactions that have a significant impact on the current profit and loss or financial status, such as the provision or receipt of labor services.
- (d) Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% and more. (Attached table 10)

#### 34. Segment information

The information provided to chief operating decision-makers for allocating resources and evaluating departmental performance, focusing on the types of products or services delivered or provided. The reporting departments of the consolidated company are as follows:

Nylon department-mainly for the manufacture and sale of nylon CHIP and nylon yarn.  
Weaving department-mainly for the manufacture and sale of plain woven fabrics and knitted fabrics

Trade department-mainly a sales base for various textile products and bulk raw materials

Yarn dyeing and other departments-mainly for the manufacturing and sales of dyed yarn

(a) Departmental income and operational results

	2020						
	Nylon department	Weaving department	Trade department	Yarn dyeing and other departments	Total	Adjustment and write-off	Total
Operating income (including allocation income)	\$ 8,103,956	\$ 2,596,558	\$ 5,137,519	\$ 141,108	\$ 15,979,141	(\$ 2,419,680)	\$ 13,559,461
Operating cost (including transfer cost)	( 8,108,841)	( 2,393,221)	( 5,095,532)	( 148,120)	( 15,745,714)	2,420,821	( 13,324,893)
Operating margin (loss)	( 4,885)	203,337	41,987	( 7,012)	233,427	1,141	234,568
Operating expense	( 281,516)	( 264,014)	( 34,551)	( 12,417)	( 592,498)	1,194	( 591,304)
Operating profit (loss)	<u>(\$ 286,401)</u>	<u>(\$ 60,677)</u>	<u>\$ 7,436</u>	<u>(\$ 19,429)</u>	<u>(\$ 359,071)</u>	<u>\$ 2,335</u>	<u>( 356,736)</u>
Non-operating income and expenses							( 176,123)
Net loss before tax							<u>(\$ 532,859)</u>

	2019						
	Nylon department	Weaving department	Trade department	Yarn dyeing and other departments	Total	Adjustment and write-off	Total
Operating income (including allocation income)	\$ 12,586,399	\$ 3,851,641	\$ 1,421,979	\$ 146,997	\$ 18,007,016	(\$ 3,427,669)	\$ 14,579,347
Operating cost (including transfer cost)	( 12,647,117)	( 3,417,269)	( 1,408,116)	( 156,421)	( 17,628,923)	3,427,669	( 14,201,254)
Operating margin (loss)	( 60,718)	434,372	13,863	( 9,424)	378,093	-	378,093
Operating expense	( 360,664)	( 290,082)	( 25,843)	( 11,357)	( 687,946)	-	( 687,946)
Operating profit (loss)	<u>(\$ 421,382)</u>	<u>\$ 144,290</u>	<u>(\$ 11,980)</u>	<u>(\$ 20,781)</u>	<u>(\$ 309,853)</u>	<u>\$ -</u>	<u>( 309,853)</u>
Non-operating income and expenses							( 2,894)
Net loss before tax							<u>(\$ 312,747)</u>

Departmental interests refer to the profits earned by each department, excluding the share of profits and losses of associated companies that adopt the equity method, disposition of associated companies, rental income, interest income, disposition of property, plant and equipment gains and losses, disposition of investment gains and losses, foreign currency exchange net gains (losses), financial instrument evaluation gains and losses, financial costs and income tax expenses. This measurement amount is provided to the chief operating decision maker to allocate resources to the department and measure its performance.

(b) Segment assets

	Dec 31, 2020						
	Nylon department	Weaving department	Trade department	Yarn dyeing and other departments	Total	Adjustment and write-off	Total
Cash and cash equivalent	\$ 100	\$ 300	\$ 430,009	\$ 929,354	\$ 1,359,763	\$ -	\$ 1,359,763
Financial assets measured at FVTPL	-	-	275,695	216,279	491,974	-	491,974
Notes and accounts receivable	1,402,813	373,989	486,270	220,713	2,483,785	( 453,758)	2,030,027
Loan to related parties receivable	-	-	-	1,010,329	1,010,329	( 457,529)	552,800
Inventory	1,117,174	780,984	167,588	14,746	2,080,492	( 477)	2,080,015
Other current assets	38,281	21,540	613,105	170,236	843,162	( 605,816)	237,346
Total current assets	<u>2,558,368</u>	<u>1,176,813</u>	<u>1,972,667</u>	<u>2,561,657</u>	<u>8,269,505</u>	<u>( 1,517,580)</u>	<u>6,751,925</u>
Financial assets measured at FVTPL	-	-	-	11,825	11,825	-	11,825
Financial assets measured at FVTOCI	-	-	-	3,106,854	3,106,854	( 748,192)	2,358,662
Investments using equity method	-	-	-	4,004,889	4,004,889	( 1,391,588)	2,613,301
Property, plant and equipment	3,195,322	2,029,795	32,086	293,076	5,550,279	-	5,550,279
Right-of-use asset	720	-	-	214	934	-	934
Other intangible asset	2,952	2,900	-	2,203	8,055	-	8,055
Other non-current asset	163,316	6,509	1,316	379,820	550,961	( 1,135)	549,826
Total assets	<u>\$ 5,920,678</u>	<u>\$ 3,216,017</u>	<u>\$ 2,006,069</u>	<u>\$ 10,360,538</u>	<u>\$ 21,503,302</u>	<u>(\$ 3,658,495)</u>	<u>\$ 17,844,807</u>

	Dec 31, 2019						
	Nylon department	Weaving department	Trade department	Yarn dyeing and other departments	Total	Adjustment and write-off	Total
Cash and cash equivalent	\$ 100	\$ 300	\$ 304,239	\$ 2,528,483	\$ 2,833,122	\$ -	\$ 2,833,122
Financial assets measured at FVTPL	-	-	242,993	58,104	301,097	-	301,097
Notes and accounts receivable	1,598,149	632,618	232,535	-	2,463,302	( 533,528)	1,929,774
Loan to related parties receivable	-	-	-	369,000	369,000	( 205,000)	164,000
Inventory	1,675,589	831,917	25,171	16,984	2,549,661	4,312	2,553,973
Other current assets	46,000	26,467	4,892	57,073	134,432	( 431)	134,001
Total current assets	<u>3,319,838</u>	<u>1,491,302</u>	<u>809,830</u>	<u>3,029,644</u>	<u>8,650,614</u>	<u>( 734,647)</u>	<u>7,915,967</u>
Financial assets measured at FVTPL	-	-	-	13,447	13,447	-	13,447
Financial assets measured at FVTOCI	-	-	-	2,403,825	2,403,825	( 579,807)	1,824,018
Investments using equity method	-	-	-	2,897,358	2,897,358	( 1,115,248)	1,782,110
Property, plant and equipment	3,510,719	2,190,984	34,581	305,260	6,041,544	-	6,041,544
Right-of-use asset	1,191	-	-	-	1,191	-	1,191
Other intangible asset	5,443	4,177	67	10	9,697	-	9,697
Other non-current asset	34,192	26,008	111	265,216	325,527	-	325,527
Total assets	<u>\$ 6,871,383</u>	<u>\$ 3,712,471</u>	<u>\$ 844,589</u>	<u>\$ 8,914,760</u>	<u>\$ 20,343,203</u>	<u>( \$ 2,429,702)</u>	<u>\$ 17,913,501</u>

(c) Segment liabilities

Since the measurement of the liabilities of the consolidated company's department is not provided to the operating decision makers, there is no need to disclose the measurement of the liabilities.

(d) Main products and service income

The main product and service income analysis of the continuing business unit of the consolidated company is as follows:

	2020	2019
Nylon chips	\$ 4,982,983	\$ 7,873,906
Petrochemicals	3,933,215	-
Nylon yarn	1,655,531	2,343,983
Woven (knitted) fabric	2,092,549	3,221,441
Others	895,183	1,140,017
	<u>\$ 13,559,461</u>	<u>\$ 14,579,347</u>

(e) Region-specific information

The consolidated company's main operation is based in Asia.

The information of the consolidated company's continuing business income from external customers based on operating location and non-current assets based on asset location is listed below:

	Income from external customers		Non-current assets	
	2020	2019	Dec 31, 2020	Dec 31, 2019
ASIA	\$ 12,764,890	\$ 12,737,469	\$ 5,729,670	\$ 6,112,589
OTHER	<u>794,571</u>	<u>1,841,878</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,559,461</u>	<u>\$ 14,579,347</u>	<u>\$ 5,729,670</u>	<u>\$ 6,112,589</u>

Non-current assets exclude assets classified as financial instruments and deferred income tax assets.

(f) Information of main customers

The consolidated company had no customers who accounted for more than 10% of the operating income of the income statement of 2019.

The details of the customers who accounted for more than 10% of the operating income of the consolidated company's income statement of 2020 are as follows:

	2020
Oriental Petrochemical	<u>\$ 1,518,411</u>



Li Peng Enterprise Co. Ltd and Subsidiaries  
Reinvestment company funds to lend to others  
2020

Attached Table 1

Unit : NTD thousand ; Foreign currency

No. (Note 1)	Financing Company	Loan and loanee	Financial Statement Account (note 2)	Related party	Maximum balance for the period (note 3)	Ending balance (note 8)	Amount actually drawn	Interest rate%	Nature for financing (note 4)	Transaction amounts (note 5)	Reason for short-term financing (note 6)	Allowance for bad debt	Collateral		Financing Limits for Each Borrowing Company (note 7)	Financing Company's Total Financing Amount Limits (note 7)
													Item	Value		
0	Li Peng Enterprise Co., Ltd.	PT INDONESIA LIBOLON FIBER SYSTEM	Loan to related parties	Yes	\$ 800,000	\$ 800,000	\$ 284,800	1.43044~3.1986	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 948,189	\$ 3,792,756
		Eton Petrochemical Co., Ltd.	Loan to related parties	Yes	300,000	300,000	26,163	1.42565~1.47	2	-	Operating turnover	-	-	-	948,189	3,792,756
		In Talent Investments Limited	Loan to related parties	Yes	800,000	800,000	286,366	1.42565~1.47	2	-	Operating turnover	-	-	-	948,189	3,792,756
1	Li Mao Investment Co., Ltd.	Li Peng Enterprise Co., Ltd.	Loan to related parties	Yes	80,000	57,000	57,000	0.82040~0.98599	2	-	Operating turnover	-	-	-	107,781	431,124
		Lealea Enterprise Co., Ltd.	Loan to related parties	Yes	93,000	93,000	73,000	0.82040~0.95680	2	-	Operating turnover	-	-	-	107,781	431,124
		Li Ling Film Co., Ltd.	Loan to related parties	Yes	50,000	50,000	50,000	1.42565~1.47	2	-	Operating turnover	-	-	-	107,781	431,124
2	Li Shing Investment Co., Ltd.	Li Peng Enterprise Co., Ltd.	Loan to related parties	Yes	65,000	45,000	45,000	0.82040~0.98599	2	-	Operating turnover	-	-	-	85,884	343,537
		Lealea Enterprise Co., Ltd.	Loan to related parties	Yes	75,000	75,000	75,000	0.82040~0.95680	2	-	Operating turnover	-	-	-	85,884	343,537
3	Hung Hsing Investment Co., Ltd.	Li Peng Enterprise Co., Ltd.	Loan to related parties	Yes	60,000	43,000	43,000	0.82040~0.98599	2	-	Operating turnover	-	-	-	80,700	322,799
		Lealea Enterprise Co., Ltd.	Loan to related parties	Yes	70,000	70,000	70,000	0.82040~0.95680	2	-	Operating turnover	-	-	-	80,700	322,799

Note 1 : Description of the number column: (1) Issuer fill in 0. (2) The invested company is numbered sequentially from Arabic numeral 1 according to the company type.

Note 2 : Accounts receivable from related parties, accounts receivable from related parties, shareholder transactions, advance payments, temporary payments... and other items in the account, if they are fund loans, the nature of which must be filled in this column.

Note 3 : The maximum balance of funds loaned to others in the current year.

Note 4 : The nature of the loan should be listed as (1) business contacts or (2) those that are for short-term financing.

Note 5 : If the nature of the loan is a business transaction, the business transaction amount should be entered. The amount of business transactions refers to the amount of business transactions between the company that lent the funds and the loanee in the most recent year.

Note 6 : If the nature of the loan is necessary for short-term financing, the reasons for the necessary loan and fund and the purpose of the loan and the target's fund should be specified, such as: repayment of borrowings, purchase of equipment, business turnover... etc.

Note 7 : Loan and limit for individual objects: 10% of the shareholders' equity of Li Peng Company, Li Mao Company, Li Shing Company and Hung Hsing Company; loan and total amount: Li Peng Company, Li Mao Company, Li Shing Company and 40% of the shareholders' equity of Hung Hsing Company. Li Peng Company, Li Mao Company, Li Shing Company and Hung Hsing Company did not exceed the limit when the original funds were used for the loan.

Note 8 : If a public listed company makes a loan to the board of directors on a case-by-case basis in accordance with Article 14 Clause 1 of the Guidelines for the Handling of Loans and Endorsements for Public Listed Companies, the amount of the board resolution should be included in the reported balance even though it has not yet allocated funds. In order to expose the risk it bears; after the fund is repaid, the balance after the repayment should be disclosed to reflect the risk adjustment. If the public listed company authorizes the chairman of the board to approve the loan in a specific amount and within a one-year period in accordance with paragraph 2 of Article 14 of the processing guidelines, the loan and the amount approved by the board of directors shall still be used as the balance to be declared. Although the funds will be repaid thereafter, it is still possible to allocate the loan again, so the loan and quota approved by the board of directors should still be used as the reported balance.

Li Peng Enterprise Co. Ltd and Subsidiaries

Holding securities at the end of the period

For the Year Ended Dec 31, 2020

Attached Table 2

Unit : NTD thousand

Held Company Name	Marketable securities type and name ( note 1 )	Relationship with the company ( note 2 )	Financial statement account	End of the period				Note ( note 4 )
				Shares ( Units )	Carrying value ( note 3 )	% of ownership	Fair value	
Li Peng Enterprise Co. Ltd.	Share							
	Trade-Van Information Services Co., Ltd.	NA	Financial assets mandatorily measured at FVTPL – current	427,675	\$ 21,598	0.29	\$ 21,598	
	Asia Pacific Telecom Co., Ltd.	"	"	3,277,157	33,099	0.09	33,099	
	Information Technology Total Services Co. Ltd.	"	"	33,750	1,282	0.12	1,282	
	Lealea Enterprise Co., Ltd.	The chairman is same as the company, and the company holds 15.89% of the shares and is the legal director	Financial assets measured at FVTOCI – non-current	71,743,197	947,010	7.49	947,010	
	Taiwan Filament Weaving Development Co., Ltd.	NA	Financial assets mandatorily measured at FVTPL – non-current	3,302,964	9,730	5.76	-	
	Huazhi Venture Capital Co., Ltd.	"	"	21,739	217	4.35	-	
	Juyou Technology Co., Ltd.	"	"	180,491	1,448	0.54	-	
	Techgains Pan-Pacific Corp.	"	"	150,000	430	0.26	-	
	Book4u Co., Ltd.	"	"	6,250	-	0.12	-	

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Held Company Name	Marketable securities type and name ( note 1 )	Relationship with the company ( note 2 )	Financial statement account	End of the period				Note ( note 4 )
				Shares ( Units )	Carrying value ( note 3 )	% of ownership	Fair value	
Li Mao Investment Co., Ltd.	Share							
	Lealea	Shareholders who hold 46.62% of the equity	Financial assets measured at FVTOCI — non-current	43,981,710	\$ 580,559	4.59	\$ 580,559	Pledge 16,495,000 shares as collateral for the issuance of short-term notes
	Li Peng	Company's parent company	"	34,177,995	308,286	3.74	308,286	
Hung Hsing Investment Co., Ltd.	Share							
	Lealea	Shareholders who hold 46.98% of the equity	Financial assets measured at FVTOCI — non-current	32,015,977	422,611	3.34	422,611	Pledge 16,212,000 shares as collateral for the issuance of short-term notes
	Li Peng	Company's parent company	"	24,618,087	222,055	2.69	222,055	
	Far East New Century	NA	Financial assets mandatorily measured at FVTPL — current	1,000,000	28,950	0.02	28,950	
	Fund beneficiary certificate Jih Sun Money Market Fund	NA	"	736,870.59	11,016	-	11,016	
Li Shing Investment Co., Ltd.	Share							
	Lealea	Shareholders who hold 47% of the equity	Financial assets measured at FVTOCI — non-current	30,945,623	408,482	3.23	408,482	
	Li Peng	Company's parent company	"	24,152,024	217,851	2.64	217,851	
	Rich	Li Shing's parent company, Li Peng, is an invested company evaluated using the equity method	Financial assets mandatorily measured at FVTPL — current	305,000	3,203	0.04	3,203	
	Far East New Century	NA	"	450,000	13,028	0.01	13,028	

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Held Company Name	Marketable securities type and name ( note 1 )	Relationship with the company ( note 2 )	Financial statement account	End of the period				Note ( note 4 )
				Shares ( Units )	Carrying value ( note 3 )	% of ownership	Fair value	
Libolon (Shanghai) International Trading Co., Ltd	Fund beneficiary certificate Jih Sun Money Market Fund	NA	Financial assets mandatorily measured at FVTPL — current	2,879,213.91	\$ 43,044	-	\$ 43,044	
	Capital Money Market Fund	"	"	1,476,305.40	24,013	-	24,013	
	Franklin Templeton Sinoam Money Market Fund	"	"	1,247,576.82	13,010	-	13,010	
	Financial products							
	Tiantianli Hwei Pu Program	NA	Financial assets mandatorily measured at FVTPL — current	-	11,836	-	11,836	
	Fortune Shuttle	"	"	-	104,772	-	104,772	
	Enterprising No. 4	"	"	-	50,584	-	50,584	
	Fortune Shuttle	"	"	-	5,472	-	5,472	
	Enterprising No. 3	"	"	-	927	-	927	
	Tiantianli Enterprising No. 1	"	"	-	321	-	321	
	Anfu Zuenron No. 1	"	"	-	1,324	-	1,324	
Libolon Energy Co., Ltd.	Structured deposits							
	Yuedeying No. 3	NA	Financial assets mandatorily measured at FVTPL — current	-	96,453	-	96,453	
	Yue Xiang Ying	"	"	-	24,036	-	24,036	
	Yue Xiang Ying 20120028	"	"	-				
Libolon Energy Co., Ltd.	Fund beneficiary certificate Jih Sun Money Market Fund	NA	Financial assets mandatorily measured at FVTPL — current	1,607,792.43	24,036	-	24,036	

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Held Company Name	Marketable securities type and name ( note 1 )	Relationship with the company ( note 2 )	Financial statement account	End of the period				Note ( note 4 )
				Shares ( Units )	Carrying value ( note 3 )	% of ownership	Fair value	
Eton Petrochemical Co.,Ltd.	Fund beneficiary certificate Jih Sun Money Market Fund	NA	Financial assets mandatorily measured at FVTPL — current	267,965.41	4,006	-	4,006	

Note 1 : The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of IFRS No. 9 "Financial Instruments".

Note 2 : If the securities issuer is not a related party, this column is not required to be filled up.

Note 3 : If measured by fair value, please fill in the book value after fair value evaluation adjustment and deducting allowance for the book value in column B; if it is not measured by fair value, please fill in the amortized cost in column B (after deducting the allowance for loss) carrying amount.

Note 4 : The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed-upon. The remarks column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and the usage restrictions.

Note 5 : For information about the equity of invested subsidiaries and associates, please refer to attached table 7, attached table 8 and attached table 9.

Li Peng Enterprise Co. Ltd and Subsidiaries

The cumulative amount of buying or selling the same securities reaches NT\$300 million or more than 20% of the paid-in capital

Jan 1 to Dec 31, 2020

Attached Table 3

Unit : thousand

Buy /sell company	Securities Type and name ( note 1 )	Financial statement accounting	Trading partners ( note 2 )	Relationship ( note 2 )	Currency	Beginning of period		Buy ( note3 )		Sell ( note3 )				End of period (note 6 )	
						Shares	Amount	Shares	Amount	Shares	Value	Carrying amount	Disposition of P&L	Shares	Amount
Li Peng Enterprise Co., Ltd. Libolon (Shanghai) International Trading Co.,Ltd.	P.T. INDONESIA LIBOLON FIBER SYSTEM Financial products	Investment using equity method	Unrelated party	Unrelated party	NTD	-	\$ -	5,730,000 ( note 5 )	\$ 757,965 USD 25,420 ( note 5 )	-	\$ -	\$ -	\$ -	5,730,000	\$ 752,312
	Fortune Shuttle Enterprising No. 4	Financial assets mandatorily measured at FVTPL— current	—	—	RMB	-	31,951	-	74,376	-	83,932	82,390	1,542 ( note 8 )	-	23,937

Note 1 : The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

Note 2 : Investors who use the equity method for securities accounts must fill in these two columns, and the rest are not required.

Note 3 : The cumulative buy-in and sell-off amount should be calculated separately at fair value whether it reaches NT\$300 million or 20% of the paid-in capital.

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 shareholder of the parent company on the balance sheet.

Note 5 : The buy-in in this period includes participation in cash capital increase.

Note 6 : The amount at the end of the period includes the profit and loss recognized by the equity method and related adjusted items.

Note 7 : As of December 31, 2020, RMB to NTD exchange rate was 4.377; January 1, 109 to December 31, 2020, RMB to NTD average exchange rate was 4.2817.

Note 8 : The disposition of profit and loss is listed in interest income.

Li Peng Enterprise Co. Ltd and Subsidiaries

The amount of purchases and sales with related parties reaches NT\$100 million or more than 20% of the paid-in capital

Jan 1 to Dec 31, 2020

Attached Table 4

Unit : NTD thousand

Buyer (Seller)	Related Party	Relationship	Transactions				Trading conditions and general trading circumstances and reasons (note 1)		Notes and accounts receivable (payable)		Note (note 2)
			Buy (sell) goods	Amount	% of total buy (sell)	Credit period	Unit Price	Credit period	Balance	% of total notes and accounts receivable (payable)	
Li Peng Enterprise Co., Ltd.	Lealea Enterprise Co., Ltd.	Chairman is same as the company	Buy	\$ 486,090	7	Notes receivable 30 days after shipment	Not applicable	Not applicable	Notes and accounts payable ( \$ 60,318 )	( 7 )	
"	"	"	Sell	( 574,043 )	( 6 )	"	"	"	Notes and accounts receivable 89,732	4	
"	Li Ling Film Co., Ltd.	"	Sell	( 319,172 )	( 3 )	Notes receivable 60 days after shipment	"	"	Notes and accounts receivable 112,332	6	
"	Libolon (Shanghai) International Trading Co., Ltd.	100% of the company's indirect shares are investee	Sell	( 1,062,739 )	( 10 )	T/T 180 days after shipment	"	"	Notes and accounts receivable 451,347	23	

Note 1: If the related party's transaction conditions are different from the general transaction conditions, the unit price and credit period column should state the difference and the reason.

Note 2: If there is an advance account receivable (payable), the reason, contractual terms, amount, and differences from the general transaction type should be stated in the remarks 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 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.

Li Peng Enterprise Co. Ltd and Subsidiaries  
Receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital  
Dec 31, 2020

Attached Table 5

Unit : NTD thousand

Account receivable company	Related party	Relationship	Balance (note 1)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Disposition		
Li Peng Enterprise Co., Ltd.	Libolon (Shanghai) International Trading Co., Ltd.	A related party in which the company indirectly holds 100% of its shares	Accounts Receivable \$ 451,347	2.16 times	\$ -	-	\$ 61,682	\$ -
Li Peng Enterprise Co., Ltd.	Li Ling Film Co., Ltd.	Chairman is same as the company	112,332	4.57 times	-	-	33,286	-
Li Peng Enterprise Co., Ltd.	Eton Petrochemical Co., Ltd.	A related party in which the company indirectly holds 75% of its shares	Other receivables 298,572	-	-	-	298,572	-

Note 1: Please fill in separately according to the accounts receivable, bills, other receivables...and so on.

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 shareholder of the parent company on the balance sheet.



Li Peng Enterprise Co. Ltd and Subsidiaries  
Intercompany relationships and significant intercompany transactions  
Jan 1 to Dec 31, 2020

Attached Table 6

Unit : NTD thousand

No. (note 1)	Company name	Counter party	Relationship (note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	%of Consolidated Net Revenue or Total Assets (note 3)
0	Li Peng Company	Libolon (Shanghai) International Trading Co.,Ltd.	Parent to granddaughter company	Accounts receivable	\$ 451,347	no major differences between trading conditions and general customers	3
0	"	"	"	Sales revenue	1,062,739	"	8
0	"	"	"	Temporary payments	198	"	-
0	"	"	"	Advance sales receipts	1,135	"	-
0	"	"	"	Outsourcing expense	( 3,170 )	"	-
0	"	In Talent Investments Limited	(1)	Account payable	306	"	-
0	"	"	"	Other payables	152,394	"	-
0	"	"	"	In-transit inventory	163	"	-
0	"	"	"	Purchase	729	"	-
0	"	"	"	Loan to related parties	286,366	"	2
0	"	"	"	Interest receivable	286	"	-
0	"	"	"	Interest income	1,089	"	-
0	"	Li Shing Investment Co., Ltd.	(1)	Loan from related parties	45,000	"	-
0	"	"	"	Interest expense	377	"	-
0	"	"	"	Interest payable	31	"	-
0	"	Hung Hsing Investment Co., Ltd.	(1)	Loan from related parties payable	43,000	"	-
0	"	"	"	Interest expense	358	"	-
0	"	"	"	Interest payable	30	"	-

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No. ( note 1 )	Company name	Counter party	Relationship ( note 2 )	Intercompany transactions			
				Financial statements item	Amount	Terms	%of Consolidated Net Revenue or Total Assets ( note 3 )
0	Li Peng Company	Li Mao Investment Co., Ltd.	(1)	Loan from related parties	\$ 57,000	no major differences between trading conditions and general customers	-
0	"	"	"	Interest expense	476	"	-
0	"	"	"	Interest payable	40	"	-
0	"	Libolon Energy Co., Ltd.	(1)	Rental income	3	"	-
0	"	Eton Petrochemical Co.,Ltd.	(1)	Service income	1,864	"	-
0	"	"	"	Rental income	152	"	-
0	"	"	"	Service expense	880	"	-
0	"	"	"	Account receivable	472	"	-
0	"	"	"	Other receivable	298,572	"	2
0	"	"	"	Other accrued expense payable	924	"	-
0	"	"	"	Loan to related parties	26,163	"	-
0	"	"	"	Interest receivable	5	"	-
0	"	"	"	Interest income	9	"	-
1	In Talent Investments Limited	Eton Petrochemical Co.,Ltd.	(3)	Service income	596	"	-
1	"	"	"	Account receivable	709	"	-
1	"	"	"	Other receivable	154,752	"	1

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated in the serial number column respectively. The method of filling in the serial number is as follows:

(1) Fill in 0 for the parent company.

(2) Subsidiaries are numbered sequentially starting from Arabic numeral 1 based on the company.

Note 2: The relationship of intercompany has the following three types, and the type can be marked (if it is the same transaction between parent and subsidiaries; or parent company to subsidiaries, there is no need to repeat disclosure. For example: parent company to subsidiary transaction, if the parent company has been disclosed, the subsidiary part

does not need to be repeatedly disclosed; for the transactions of a subsidiary to a subsidiary, if one of the subsidiaries has been disclosed, the other subsidiary need not be repeatedly disclosed):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: The transaction amount is calculated on the ratio to the consolidated total revenue or assets. If it is an asset-liability item, it will be calculated as the ending balance of the consolidated total assets; if it is a profit and loss item, the cumulative amount in the period will be calculated as the total consolidated, calculated by the method of receipt.

Note 4: The important transactions in this table can be determined by the company based on the principle of materiality.

Li Peng Enterprise Co., Ltd. and Subsidiaries  
Names, Locations, And Related Information of Investees  
Jan 1 to Dec 31, 2020

Attached Table 7

Unit : NTD thousand

Buyer (Seller)	Related party (note 1、2)	Location	Main business and products	Original investment amount		Balance at the end of period			Net Income (Losses) of the Investee (note 4(2))	Share of Profits/Losses of Investee (note 4(3))	Note
				End of period	End of last year	Shares	Ratio %	Carrying amount			
Li Peng Enterprise Co., Ltd.	In Talent Investments Limited	Samoa	Reinvestment related business	\$ 65,893	\$ 65,893	2,000,000	100.00	\$ 298,896	\$ 12,138	\$ 12,388	
	Li Mao Investment Co., Ltd.	11th Floor, No.162 Songjiang Road, Taipei City	Reinvestment in various production businesses, securities investment, banks.	415,715	415,715	40,356,000	53.38	410,776	( 292 )	( 156 )	
	Hung Hsing Investment Co., Ltd.	"	"	401,449	401,449	26,296,000	53.02	310,106	( 331 )	( 176 )	
	Li Shing Investment Co., Ltd.	"	"	415,280	415,280	42,400,000	53.00	339,691	( 6,427 )	( 3,406 )	
	Li Hao Investment Co., Ltd.	"	"	363,629	363,629	35,244,000	46.62	396,375	( 5,359 )	( 2,498 )	
	Li Zan Investment Co., Ltd.	"	"	329,212	329,212	21,540,000	46.83	242,742	( 11,925 )	( 5,584 )	
	Lealea Technology Co., Ltd.	"	Technology software services	40,408	40,408	7,041,004	18.54	115,858	129,367	23,990	
	Li Ling Film Co., Ltd.	"	Nylon film production	20,000	20,000	2,000,000	3.33	15,469	( 217,559 )	( 7,252 )	
	Rich Development Co., Ltd.	8th Floor, No. 99, Jilin Road, Taipei City	Entrusted builders to build commercial buildings and lease and sell residential buildings	492,829	492,829	51,117,852	6.87	928,252	103,976	7,144	
	Fu Li Transport Co., Ltd.	No. 122, Zili Second Street, Wuqi District, Taichung City	Automobile container freight industry, warehousing industry, automobile and parts manufacturing industry	28,000	28,000	2,800,000	20.00	36,357	11,637	2,327	
	Lea Jie Energy Co., Ltd.	4th Floor, No.162 Songjiang Road, Taipei City	Coal retail and wholesale	90,000	90,000	9,000,000	30.00	100,656	25,730	7,698	
	PT. LONG JOHN INNOVATION MATERIAL	JALAN UBRUG, Kel. Kembangkuning, Kec. Jatiluhur, Kab. Purwakarta, Prop. JawaBarat	Knitted fabric, fabric improvement	-	15,200	-	-	-	-	-	註 2
	Libolon Energy Co., Ltd.	No. 38, Gongye Road, Houliiao Village, Fangyuan Township, Changhua County	Renewable energy, self-powered generation equipment and cogeneration industry	21,000	-	2,100,000	70.00	18,826	( 3,105 )	( 2,660 )	註 3
	Pt.Indonesia Libolon Fiber System	Lantai 1 Jl. Cideng Barat No. 15, RT.011/RW.001 Kel. Duri Pulo. Kec. Gambir. DKZ Jakarta	Weaving, dyeing, finishing, processing, manufacturing, and trading of man-made fibers	757,965	-	5,730,000	30.00	752,312	( 165,491 )	3,133	
In Talent Investments Limited	Eton Petrochemical Co.,Ltd.	4th Floor, No.162 Songjiang Road, Taipei City	Chemical raw material wholesale	9,000	-	900,000	75.00	13,293	5,725	4,293	
	Libolon (Shanghai) International Trading Co., Ltd.	Room 532, 5th Floor, No. 88 Taigu Road, Waigaoqiao Free Trade Zone, Shanghai	Weaving, dyeing, finishing, processing, manufacturing, and trading of man-made fibers	65,893	65,893	2,000,000	100.00	298,235	11,804	-	

Buyer (Seller)	Related party ( note 1 、 2 )	Location	Main business and products	Original investment amount		Balance at the end of period			Net Income (Losses) of the Investee ( note 4(2) )	Share of Profits/Losses of Investee ( note 4(3) )	Note
				End of period	End of last year	Shares	Ratio %	Carrying amount			
Li Mao Investment Co., Ltd.	Li Ling Film Co., Ltd.	11th Floor, No.162 Songjiang Road, Taipei City	Nylon film production	990	990	33,000	0.06	260	( 217,559 )	-	
Li Shing Investment Co., Ltd.	"	"	"	60,000	60,000	2,000,000	3.33	15,783	( 217,559 )	-	
Hung Hsing Investment Co., Ltd.	"	"	"	35,115	35,115	1,170,500	1.95	9,237	( 217,559 )	-	
Eton Petrochemical Co.,Ltd.	Eton Petrochemical International Co.,Ltd.	Samoa	Chemical raw material wholesale	29	-	1,000	100.00	23	( 6 )	-	

Note 1: If a public offering company has a foreign holding company and 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 relevant information to the holding company.

Note 2: Li Peng Enterprise Co., Ltd. disposal PT. LONG JOHN INNOVATION MATERIAL in March 2020 and recognized its investment losses.

Note 3: The investment loss recognized by Libolon Energy Co., Ltd. in this period includes the investment loss incurred when the control capability is acquired.

Note 4: If it is not in the situation described in Note 1, fill as in accordance to the following regulations:

- (1) The columns of "name of investee company", "location", "main business item", "original investment amount" and "end-of-term shareholding" shall be based on the reinvestment status of the company (public offering) and each direct investment or fill in the reinvestment status of the invested company indirectly controlled in order, and indicate the relationship between each invested company and the (public offering) company (if it is a subsidiary or a granddaughter company) in the remarks column.
- (2) In column B of "Invested Company's Current Profit and Loss", the amount of current profit and loss of each invested company should be filled in.
- (3) Column B of "Investment Profits and Losses Recognized in the Current Period" only needs to fill in the amount of profit and loss of each subsidiary recognized by the (public offering) company for direct reinvestment and each invested company evaluated by the equity method, and the rest is exempt fill. When filling in the "recognition of the current profit and loss amount of each subsidiary for direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary has included the investment profit and loss of its reinvestment that should be recognized in accordance with the regulations.

Note 5: Please refer to Attached Tables 8 and 9 for relevant information of China investee companies.

Li Peng Enterprise Co., Ltd. and Subsidiaries

Information on investment in China

Jan 1 to Dec 31, 2020

Attached Table 8

Unit : NTD thousand, original currency in yuan

Related party in China	Main business	Paid-in capital	Investment method	Beginning of the period Cumulative investment amount remitted from Taiwan	Investment amount remitted or recovered in the current period		End of the period Remit from Taiwan accumulated investment amount	Invested company's current profit and loss	The company's direct or indirect investment % of shares held	Recognized in this period Investment profits and losses (note 2B)	Investment carrying amount at end of period	Investment income remitted back to Taiwan as of the current period
					Outflow	Inflow						
Libolon (Shanghai) International Trading Co., Ltd.	Weaving, dyeing, finishing, processing, manufacturing, and trading of man-made fibers	\$ 65,893 USD 2,000,000	Note 2 (2)	\$ 65,893 ( USD2,000,000 )	\$ -	\$ -	\$ 65,893 ( USD2,000,000 )	\$ 11,804	100	\$ 11,804	\$ 298,235	\$ -

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper limit on investment
USD 2,000,000 NTD 65,893	USD 2,000,000 NTD 65,893	\$ 5,689,135

Note 1: 2020 annual average exchange rate RMB to NTD=1: 4.2817

Note 2: The investment methods are divided into the following three types, just indicate the types:

- (1) Go directly to the mainland for investment.
- (2) Reinvest in mainland China through a third-region company (please specify the investment company in the third region).
- (3) Other methods.

Note 3: In the current period recognized investment profit and loss column:

- (1) If it is under preparation and there is no investment gain or loss, it should be indicated.
- (2) The investment profit and loss recognition basis are divided into the following three types, which should be specified.
  - A. The financial statements that have been verified by international accounting firms in partnership with the Republic of China Accounting Firm.
  - B. The financial statements of the visa are checked by the Taiwanese parent company's visa accountant.
  - C. Others.

Note 4: The relevant figures in this table should be presented in New Taiwan Dollars.

Li Peng Enterprise Co., Ltd. and Subsidiaries

The following major transactions with mainland investee companies directly or indirectly via a third region, their prices, payment terms, unrealized profits and losses, and other relevant information

Jan 1 to Dec 31, 2020

Attached Table 9

Unit : except for specifically indicated in NTD thousand

Related Party in China	Transaction	Purchase, sale ( Note )		Price	Terms		Notes, accounts receivable (payable)		Unrealized profit (loss)	Note
		Amount	%		Payment terms	Compare to normal trade	Amount	%		
Libolon (Shanghai) International Trading Co., Ltd.	Sale	( \$ 1,062,739 )	( 10 )	Set according to local market conditions, trading conditions are similar to general customers	180 days after shipment, the collection period will be extended depending on local conditions	Similar	Accounts Receivable \$ 451,347	23	\$ 151	

Note: In the case of property transactions or other types of transactions, the terms should be modified according to the circumstances.

Li Peng Enterprise Co., Ltd.  
Information of main shareholder  
Dec 31, 2020

Attached Table 10

Main Shareholders	Share	
	Shares held	Share hold ratio
Lealea Enterprise Co., Ltd.	145,353,853	15.89
Li Hao Investment Co., Ltd.	49,213,968	5.38

Note 1: The main shareholder information is based on the last business day at the end of the quarter, calculated by the shareholders of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares) totaling more than 5% of data. The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without registration may be different due to various calculation bases.

Note 2: The information above is that shareholders deliver shares to the trust, it is disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc., please refer to the public information for information on insider's equity declaration observatory site.



# Financial Statements

## Independent Auditors' Report

To Li Peng Enterprise Corporation Limited

### Opinion

We have audited the accompanying individual financial statements of Li Peng 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.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the accompanying individual financial position of the Company as of December 31, 2020 and 2019, and its individual financial performance and its individual cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 judgement, 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 we do not provide a separate opinion on these matters.

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

**The Actual Occurrence of Sales Revenue**

The Company comprises of nylon department, weaving department, and trading department. The sales revenue of the nylon department is the highest among all. Nylon products are mainly traded as commodity and the sales condition varies from client to client. The overall sales revenue of nylon department has shown a decrease in the past year, however, the sales generated from some of the clients have increased. Thus, the auditor will report the transaction condition as non-added letters of credit and list the sales revenue of nylon products as an item of the key audit matters. Refer to Notes 4 to the individual financial statements regarding revenue recognition principle.

Our audit procedures related to the evaluation of the above-mentioned key audit matter, include the understanding and sampling of selected internal control design with effectively execution to have identified the transaction 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.

**Auditor's 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual financial statement, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the individual financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Wu, Ke-Chang

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

Financial Supervisory Commission ROC vetted  
Document no. 1000028068

Chiu, Ming-Yu

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

Financial Supervisory Commission ROC vetted  
Document no. 0930160267

March 31, 2021

Li Peng Enterprise Co Ltd  
Individual Balance Sheets  
December 31, 2019 to 2020

Unit : Thousands of NTD

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 6)	\$ 926,455	5	\$ 2,526,588	15
1110	Financial assets at fair value through profit or loss (Note 7)	55,979	-	54,886	-
1150	Notes receivable (Note 8)	33,170	-	72,905	1
1160	Notes receivable – related parties (Note 28)	52,264	-	13,641	-
1170	Accounts receivable (Note 8)	1,301,064	8	1,561,858	9
1180	Accounts receivable – related parties (Note 28)	611,603	4	582,362	3
1210	Loan to related parties (Note 28)	597,329	4	-	-
130X	Inventory (Note 9)	1,994,434	12	2,524,490	15
1410	Prepayments	51,630	-	60,877	-
1476	Other financial assets - current (Note 6, 28)	458,987	3	60,362	-
1479	Other current assets	5,827	-	7,998	-
11XX	Total current assets	<u>6,088,742</u>	<u>36</u>	<u>7,465,967</u>	<u>43</u>
	Non-current assets				
1510	Financial assets at fair value through profit or loss – non-current (Note 7)	11,825	-	13,447	-
1517	Financial assets at fair value through other comprehensive income- non-current (Note 10)	947,010	6	682,247	4
1550	Investment adjustments for Using Equity Method (Note 11)	3,979,609	23	2,860,462	17
1600	Property, plant, equipment (Note 12)	5,518,193	32	6,006,963	35
1755	Right of use asset (Note 13)	720	-	1,191	-
1780	Other intangible assets (Note 14)	8,055	-	9,630	-
1840	Net deferred tax assets (Note 22)	365,891	2	244,046	1
1915	Prepayment for equipment	169,784	1	60,158	-
1990	Other non-current assets	3,318	-	11,212	-
15XX	Total non-current assets	<u>11,004,405</u>	<u>64</u>	<u>9,889,356</u>	<u>57</u>
1XXX	Total Assets	<u>\$ 17,093,147</u>	<u>100</u>	<u>\$ 17,355,323</u>	<u>100</u>
	Liability and Equity				
	Current liability				
2100	Short-term loan (Note 15)	\$ 2,044,000	12	\$ 4,050,000	23
2110	Short-term corporate bonds payable (Note 15)	1,120,000	7	620,000	4
2120	Financial liabilities at fair value through profit or loss – current (Note 7)	-	-	27,094	-
2150	Notes payable	54,765	-	59,180	-
2160	Notes payable—related parties (Note 28)	8,705	-	17,985	-
2170	Accounts payable	789,047	5	421,909	3
2180	Accounts payable—related parties (Note 28)	56,451	-	51,416	-
2219	Other payable (Note 16, 28)	752,603	5	496,664	3
2280	Lease liability—current (Note 13)	107	-	232	-
2220	Loan from related parties (Note 28)	230,000	1	325,000	2
2250	Liability preparation—current	20,372	-	21,653	-
2320	Long-term loan due in a year (Note 17)	155,000	1	350,000	2
2399	Other current liability	121,505	1	132,892	1
21XX	Total current liabilities	<u>5,352,555</u>	<u>32</u>	<u>6,574,025</u>	<u>38</u>
	Non-current liability				
2580	Lease liability—non-current (Note 13)	541	-	962	-
2540	Long-term loan (Note 17)	1,875,000	11	1,100,000	6
2570	Deferred income tax liability (Note 22)	146,650	1	147,499	1
2640	Accrued pension liability—non-current (Note 18)	235,805	1	262,699	2
2670	Other non-current liability	705	-	505	-
25XX	Total non-current liabilities	<u>2,258,701</u>	<u>13</u>	<u>1,511,665</u>	<u>9</u>
2XXX	Total Liability	<u>7,611,256</u>	<u>45</u>	<u>8,085,690</u>	<u>47</u>
	Equity (Note 19)				
3110	Common stock	9,144,872	53	9,144,872	53
3200	Capital reserve	134,620	1	134,044	1
	Retained earning				
3310	Legal reserve	525,527	3	525,527	3
3320	Special reserve	602,637	4	602,637	3
3350	Accrued loss	( 662,075 )	( 4 )	( 248,943 )	( 1 )
3300	Total retained earnings	<u>466,089</u>	<u>3</u>	<u>879,221</u>	<u>5</u>
3400	Other equity	168,713	1	( 456,101 )	( 3 )
3500	Treasury stock	( 432,403 )	( 3 )	( 432,403 )	( 3 )
3XXX	Total Equity	<u>9,481,891</u>	<u>55</u>	<u>9,269,633</u>	<u>53</u>
	Total of Liability and Equity	<u>\$ 17,093,147</u>	<u>100</u>	<u>\$ 17,355,323</u>	<u>100</u>

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

Chairman: Kuo, Shao-Yi Manager : Kuo, Shao-Yi Head of Accounting : Ko, Pei-Chun

Li Peng Enterprise Co Ltd  
Individual Statements of Comprehensive Income  
Jan 1 to Dec 31 2019, 2020

		2020		Unit: Thousands of NTD, Except loss per share 2019	
Code		Amount	%	Amount	%
4000	Operating revenue ( Note 20, 28 )	\$ 10,369,775	100	\$ 14,452,347	100
5000	Operating cost ( Note 9, 28 )	<u>10,168,838</u>	<u>98</u>	<u>14,091,788</u>	<u>97</u>
5900	Operating margin	200,937	2	360,559	3
5910	Unrealized sales (profit) loss	( 464 )	-	4,240	-
5920	Realized sales (loss) profit	( <u>4,240</u> )	<u>-</u>	( <u>570</u> )	<u>-</u>
5950	Realized operating margin	<u>196,233</u>	<u>2</u>	<u>364,229</u>	<u>3</u>
	Operating expense ( Note 28 )				
6100	Sales expense	279,412	3	373,800	3
6200	Management expense	167,451	1	171,900	1
6300	R&D expense	112,090	1	116,310	1
6450	Expected credit gain on reversal of impairment loss	( <u>2,752</u> )	<u>-</u>	( <u>314</u> )	<u>-</u>
6000	Total operating expenses	<u>556,201</u>	<u>5</u>	<u>661,696</u>	<u>5</u>
6900	Operating net loss	( <u>359,968</u> )	( <u>3</u> )	( <u>297,467</u> )	( <u>2</u> )
	Non-operating income and expenses				
7100	Interest income ( Note 21, 28 )	31,529	-	40,349	-
7010	Other income ( Note 21, 28 )	121,994	1	75,605	1
7020	Other profit and loss( Note 21 )	( 308,897 )	( 3 )	( 108,789 )	( 1 )
7050	Finance cost( Note 21, 28 )	( 57,704 )	-	( 65,351 )	-
7070	Share of profits of subsidiaries and associates	<u>39,240</u>	<u>-</u>	<u>33,566</u>	<u>-</u>
7000	Total non-operating income and loss	( <u>173,838</u> )	( <u>2</u> )	( <u>24,620</u> )	<u>-</u>

( continue in next page )

(continue from last page)

Code		2020		2019	
		Amount	%	Amount	%
7900	Net loss before tax	(\$ 533,806)	( 5)	(\$ 322,087)	( 2)
7950	Income tax profit ( Note 4, 22 )	<u>121,797</u>	<u>1</u>	<u>72,721</u>	<u>-</u>
8200	Net loss of the year	( <u>412,009</u> )	( <u>4</u> )	( <u>249,366</u> )	( <u>2</u> )
	Other comprehensive income (net)				
8310	Uncategorized items profit and loss:				
8311	Measure on defined benefit plans	8,963	-	( 21,024 )	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	261,635	3	( 21,387 )	-
8330	Share of other comprehensive gain of subsidiaries and associates	360,205	3	( 63,496 )	( 1)
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences resulting from translation on foreign operations	( 7,112 )	-	( 10,958 )	-
8380	Share of other comprehensive gain of subsidiaries and associates	<u>-</u>	<u>-</u>	<u>3,985</u>	<u>-</u>
8300	Total other comprehensive income of the year	<u>623,691</u>	<u>6</u>	( <u>112,880</u> )	( <u>1</u> )
8500	Total comprehensive income of the year	<u>\$ 211,682</u>	<u>2</u>	( <u>\$ 362,246</u> )	( <u>3</u> )
	Basic loss per share (Note 23)				
9710	Basic	( <u>\$ 0.48</u> )		( <u>\$ 0.29</u> )	

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

Chairman: Kuo, Shao-Yi Manager : Kuo, Shao-Yi Head of Accounting : Ko, Pei-Chun

Li Peng Enterprise Co Ltd  
Individual Statements of Changes in Equity  
Jan 1 to Dec 31, 2019, 2020

Unit : Thousands of NTD

Code		Other Equity Items											
		Retained Earning						Foreign Organization	Financial assets unrealized profit and loss at fair value through other comprehensive income				
		Share Capital		Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings (Unappropriated deficit)	Financial report Exchange difference	Subsidiary using		Associates using		
Share ( Thousands )	Share Capital	Parent Company	Equity Method						Equity Method	Treasury Stock	Total		
A1	Balance as of Jan 1, 2019	914,487	9,144,872	117,015	509,332	276,208	546,762	( 13,565 )	143,169	( 309,252 )	( 184,390 )	( 432,403 )	9,797,748
B1	Appropriations of earnings in 2018												
B1	Allowance of legal reserve	-	-	-	16,195	-	( 16,195 )	-	-	-	-	-	-
B3	Allowance of special reserve	-	-	-	-	326,429	( 326,429 )	-	-	-	-	-	-
B5	Cash dividends to the shareholders	-	-	-	-	-	( 182,898 )	-	-	-	-	-	( 182,898 )
C7	Changes to other capital reserve :												
C7	Change in associates using equity method	-	-	293	-	-	-	-	-	-	-	-	293
M1	Cash dividends from parent company to subsidiary	-	-	16,736	-	-	-	-	-	-	-	-	16,736
D1	Net loss in 2019	-	-	-	-	-	( 249,366 )	-	-	-	-	-	( 249,366 )
D3	Other comprehensive income (loss) in 2019	-	-	-	-	-	( 20,817 )	( 10,958 )	( 21,387 )	( 18,332 )	( 41,386 )	-	( 112,880 )
D5	Total comprehensive income (loss) in 2019	-	-	-	-	-	( 270,183 )	( 10,958 )	( 21,387 )	( 18,332 )	( 41,386 )	-	( 362,246 )
Z1	Balance as of Dec 31, 2019	914,487	9,144,872	134,044	525,527	602,637	( 248,943 )	( 24,523 )	121,782	( 327,584 )	( 225,776 )	( 432,403 )	9,269,633
C7	Changes to other capital reserve :												
C7	Change in associates using equity method	-	-	141	-	-	-	-	-	-	-	-	141
M7	Changes to equity ownership of subsidiary	-	-	435	-	-	-	-	-	-	-	-	435
Q1	Subsidiary and associates' disposal of equity tool through other comprehensive income	-	-	-	-	-	( 14,363 )	-	-	( 6,116 )	20,479	-	-
D1	Net Loss in 2020	-	-	-	-	-	( 412,009 )	-	-	-	-	-	( 412,009 )
D3	Other comprehensive income (loss) in 2020	-	-	-	-	-	13,240	( 7,112 )	261,635	235,052	120,876	-	623,691
D5	Total comprehensive income (loss) in 2020	-	-	-	-	-	( 398,769 )	( 7,112 )	261,635	235,052	120,876	-	211,682
Z1	Balance as of Dec 31, 2020	914,487	\$ 9,144,872	\$ 134,620	\$ 525,527	\$ 602,637	( \$ 662,075 )	( \$ 31,635 )	\$ 383,417	( \$ 98,648 )	( \$ 84,421 )	( \$ 432,403 )	\$ 9,481,891

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

Chairman: Kuo, Shao-Yi Manager : Kuo, Shao-Yi Head of Accounting : Ko, Pei-Chun



Li Peng Enterprise Co Ltd  
Individual Statements of Cash Flows  
Jan 1 to Dec 31, 2019 ,2020

Unit : Thousands of NTD

Code		2020	2019
	Cash Flows From Operating Activities		
A10000	Profit (loss) before income tax	(\$ 533,806)	(\$ 322,087)
A20010	Provided by (used in) operating activities:		
A20300	Expected credit gain on reversal of impairment loss	( 2,752)	( 314)
A20100	Depreciation	614,708	610,891
A20200	Amortization	6,405	8,871
A29900	Amortized prepayment	71,701	94,388
A20400	Financial assets and liability at fair value through (profit) or loss	( 26,566)	10,801
A20900	Finance costs	57,704	65,351
A21200	Interest income	( 31,529)	( 40,349)
A21300	Dividend income	( 1,555)	( 31,454)
A22400	Share of income to associates using equity method	( 39,240)	( 33,566)
A22500	Loss (gain) on disposal of property, plant, equipment	( 668)	1,317
A23100	Gain on disposal of financial assets	-	( 756)
A23200	Gain on disposal of investments accounted for using equity method, net	( 51)	-
A23800	Reversal of impairment loss on inventory	( 71,083)	( 367,741)
A23900	Unrealized loss on sales to subsidiaries and associates	-	( 3,670)
A24000	Realized profit on sales to subsidiaries and associates	4,704	-
A24100	(Gain) loss on foreign exchange, net	( 8,665)	92,205
A30000	Changes in operating assets and liabilities		
A31115	Collect financial assets at fair value through profit or loss	-	1,461
A31130	Notes receivable	1,512	50,574
A31150	Accounts receivable	280,928	684,305
A31200	Inventory	601,139	1,304,990
A31230	Prepayment	( 67,341)	( 62,069)
A31240	Other current assets	2,192	( 3,740)
A31250	Other financial assets	( 388,322)	28,733

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C o d e		2020	2019
A32130	Notes payable	(\$ 13,695)	(\$ 223,887)
A32150	Accounts payable	374,405	( 1,015,764)
A32180	Other payables	269,304	56,013
A32200	Liability preparation	( 1,347)	3,730
A32240	Accrued pension liabilities	( 17,931)	( 27,253)
A32230	Other current liability	( 43,380)	26,131
A33000	Cash generated from operations	1,036,771	907,111
A33100	Interest income	33,262	38,941
AC0200	Dividend income	1,555	31,454
A33200	Dividend income from associates	41,872	29,523
A33300	Interest payable	( 58,583)	( 65,514)
A33500	Income tax payable	( 4,043)	( 12,630)
AAAA	Cash inflow from operating activities	<u>1,050,834</u>	<u>928,885</u>
Cash Flows From Investing Activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	( 3,127)	-
B01800	Acquisition of associates	( 787,965)	( 15,200)
B01900	Disposal of associates	15,083	-
B02700	Acquisition of property, plant, equipment	( 244,580)	( 368,768)
B02800	Disposal of property, plant, equipment	1,052	1,280
B03800	Refundable deposit refunded	-	674
B04500	Acquisition of intangible asset	( 3,193)	( 5,921)
B04300	Increase in loan to related parties receivable	( 617,522)	-
BBBB	Cash outflow from investment activity	<u>( 1,640,252)</u>	<u>( 387,935)</u>
Cash Flows From Financing Activities			
C00100	(Decrease) increase in short-term loan	( 2,006,000)	1,592,000
C00500	Proceeds from short-term bills payable	500,000	516,000
C01600	Lend long-term loan	875,000	-
C01700	Repay long-term loan	( 295,000)	( 1,284,700)
C04020	Lease principal repayment	( 236)	( 57)
C03000	Increase in refundable deposits received	200	200
C04500	Dividend payment to shareholders	-	( 182,898)
C03700	Loan payable to related parties (less) more	( 95,000)	70,000
CCCC	Cash inflows (outflows) from financing activities	<u>( 1,021,036)</u>	<u>710,545</u>
DDDD	Effect of exchange rate on cash or cash equivalents	<u>10,321</u>	<u>( 45,651)</u>

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<u>Code</u>		<u>2020</u>	<u>2019</u>
EEEE	Net Increase (Decrease) in Cash and Cash Equivalents	(\$ 1,600,133 )	\$ 1,205,844
E00100	Balance of cash and cash equivalents, beginning of the year	<u>2,526,588</u>	<u>1,320,744</u>
E00200	Balance of cash and cash equivalents, end of the year	<u>\$ 926,455</u>	<u>\$ 2,526,588</u>

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

Chairman: Kuo, Shao-Yi    Manager : Kuo, Shao-Yi    Head of Accounting : Ko, Pei-Chun

Li Peng Enterprise Corporation Limited  
Individual Financial Statement Note  
Jan 1 to Dec 31, 2019, 2020

( Otherwise stated, amounts indicated are in thousands of New Taiwanese Dollars )

1. Company History

Li Peng Enterprise Corporation Limited (the “Company”), which was established in August 1975, produced various types of printed papers, decal papers, paper products, and printing boards. In 1985, dyeing plant was built; in 1988, weaving plant was then added to produce synthetic, natural woven fabric, cotton, and printed textile. In 1999, additional nylon plants were built, which were to produce synthetic fibers and nylon filament yarns that would be made into products for trading. The Company’s factories are located in Yangmei district in Taoyuan city, and another in Fanyuan township in Changhua county.

The Company was listed and traded on the Taiwan Stock Exchange in January 1992.

The Company’s major shareholder is Lealea Enterprise Co. Ltd., with 15.89% of the company’s shares as of December 31, 2019 and 2020.

The Company’s functional currency and the currency stated in the individual financial statements are both New Taiwanese Dollar.

2. The Authorization of Financial Statements

The accompanying financial statements were approved and authorized for issue 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).

IFRS 16 amendment to “Provisions on Covid-19 Pandemic Related Rental Concession “

The Company chose a practical expediency to negotiate with the renter about the rental concession based on the amendment related to Covid-19 pandemic. Matters related to accounting policy can be referred to Note 4. Before applying the amendment to the matter, the Company shall make judgment based on whether the rental negotiation is also appropriate with the rules of lease amendment.

The Company started applying the amendment since January 1, 2020. As the abovementioned rental negotiation had its effects only in 2020, it did not affect retain earnings on January 1, 2020 retrospectively.

- (b) IFRS endorsed by the Financial Supervisory Commission (FSC) in 2021

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4 “IFRS 9 Extension of Temporary Exemption”	Effective on date of announcement

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	Effective during the period of annual reporting after January 2021

- (c) The IFRSs issued by 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 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3” Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
Amendments to IFRS 17 “Security Contract”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1” Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policy”	January 1, 2023 (Note 6)
Amendments to IAS 8” Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16” Property, Plant, and Equipment – Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1 : Otherwise stated, the above New, Revised, Amended Standards and Interpretations shall be effective since the start date of annual reporting.

Note 2 : Amendments to IFRS 9 is applicable to the of exchange of financial liabilities or modification of terms during annual reporting starting from January 1, 2022; amendments to IAS41 “Agriculture” are applicable to the evaluation at fair value during annual reporting starting from January 1, 2022; amendments to IFRS1 “First time to adapt IFRS1” is applicable to the period of annual reporting starting from January 1, 2022 retrospectively.

Note 3 : As long as the acquisition date of company consolidation starts after January 1, 2022 during annual reporting, it is applicable to the amendment.

Note 4 : Starting from January 1, 2021, as the operation meets the expectation of the management, the required location, plant condition, property and equipment shall apply to the amendment.

Note 5 : After January 1, 2022, all contracts shall be applicable to the amendment if they have not fulfilled the obligations.

Note 6 : Any postponement during annual reporting after January 1, 2023 shall be applicable to the amendment.

Note 7 : All changes to accounting estimation and modification on the accounting policies happen during annual reporting after January 1, 2023 shall be applicable to the amendment.

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 and related applicable period. 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 and for the net defined benefit liabilities recognized at fair value of the planned assets at the present value of the defined benefit liabilities, as explained in the accounting policies below.

The evaluation of fair value based on the observability and importance of relevant input value is classified into gradings from 1<sup>st</sup> to 3<sup>rd</sup> grade:

1. 1<sup>st</sup> grade input value : the quotation of equivalent value of the assets or liabilities in the active market on evaluation date (unadjusted).
2. 2<sup>nd</sup> grade input value: the observable input value (besides the quotation of 1<sup>st</sup> grade) on assets and liabilities direct (value) or indirect (derived value).
3. 3<sup>rd</sup> grade input value : the unobservable input value on assets or liabilities.

When preparing the individual financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the individual financial statements to be the same with the amounts attributable to the owners of the Corporation in its Individual financial statements, adjustments arising from the differences in accounting treatments between the individual basis and the Individual basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these individual financial statements.

(c) Classification of Current and Noncurrent Assets and Liabilities

Current Assets include :

1. Assets held for trading purposes;
2. Expected to be converted to cash, sold or consumed within 12 months from the end of the reporting period ; and
3. Cash and cash equivalent (not including the restricted users for exchange or settle liabilities after over 12 months from the balance sheet date.)

Current Liabilities include :

1. Liabilities held for trading purposes;

2. Liabilities expected to be settled within 12 months from the balance sheet date (including liabilities from long-term refinancing or readjusting payment agreement even if it's after the balance sheet date until the approved release date of financial report; and
  3. The deadline to settle liabilities cannot be deferred unconditionally to later than 12 months after the balance sheet date. The terms of the liability may depend on the counterparty's choice, the issuance of equity instruments to cause its liquidation does not affect the classification.
- Items that aren't current assets or liabilities as mentioned above, would be classified as non-current assets or liabilities.

(d) Business Combination

Business combination is through acquisition methods. Expenses related to acquisitions are listed as expenses when expenses incurred from rendering of services as it happened.

Goodwill is the total amount of the fair value of the transfer, the amount of non-controlling interests of the acquiree, and the fair value of the acquiree's previously held equity at the acquisition date, the net measure of identifiable assets acquired, and liabilities assumed beyond the date of acquisition. The acquiree has the current ownership of equity and is entitled to pro rata non-controlling interests in the acquiree's net assets at the time of liquidation, which is measured by fair value. Other non-controlling interests are measured at fair value.

A business combination concluded in stages is based on the fair value on the acquisition date to re-measure the equity of the acquiree that the merging company has previously held. If any profit or loss arises as a result, it is recognized as a profit or loss. The amount recognized in other comprehensive profits and losses before the acquisition date due to the previously held equity of the acquiree is recognized on the same basis as if the amalgamating company directly disposes of its previously held equity.

(e) Foreign Currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) is recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, such exchange differences are recognized in profit or loss in the period in which they arise.

Amount receivable or payable with relation to the Company's foreign operations' currency, the liquidation of the item is currently neither planned nor possible in the foreseeable future (so it constitutes a part of the net investment in the foreign operations), the exchange difference is originally recognized as other comprehensive gains and losses, and when disposing net investment, reclassify from equity to profit and loss.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items

are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies use exchange rates prevailing on trading day, not retranslated.

(f) Inventories

Inventories include raw materials, materials, finished goods, and processed goods. Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory cost is calculated by the weighted average method.

(g) Investment Accounted for Using Equity Method

Investment accounted for using equity method are investments in subsidiaries and associates.

1. Investment in subsidiary

A subsidiary refers to an entity that the company has control over.

Under the equity method, the investment is initially recognized at cost, and the book amount obtained in the future will increase or decrease with the Company's share of subsidiary's profits and losses and other comprehensive profits and losses and profit distribution. In addition, changes in the Company's other rights and interests of subsidiaries are recognized based on the shareholding ratio.

When the Company's changes in the ownership and equity of the subsidiary do not result in the loss of control, it is treated as an equity transaction. The difference between the book value of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company's share of losses in a subsidiary equals or exceeds its equity in the subsidiary (including the book value 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), it is continued to recognize losses based on shareholding ratio.

The amount of the acquisition cost exceeding the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries that constitute the business on the acquisition date is classified as goodwill, which is included in the carrying amount of the investment and cannot be amortized; the amount by which the net fair value of the identifiable assets and liabilities of the subsidiary's identifiable assets and liabilities that constitute the business on the day exceeds the cost of acquisition is recorded as current income.

When the Company assesses impairment, it considers the cash-generating unit as a whole in the financial report and compares its recoverable amount with the book value. If the recoverable amount of the asset increases subsequently, the reversal of the impairment loss shall be recognized as an interest, but the book value 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 as the carrying amount after amortization. The impairment loss attributable to goodwill shall not be reversed in subsequent periods.

When it loses control of a subsidiary, the Company measures its remaining investment in the former subsidiary at the fair value on the date of loss of control. The fair value of the remaining investment and the difference between any disposal price and the book value of the investment on the date of loss of control are included in current profit and loss. In addition, all amounts recognized in other comprehensive profits and losses related to the subsidiary are accounted for on the same basis as the Company's direct disposal of related assets or liabilities.

The unrealized gains and losses of downstream transactions between the Company and its subsidiaries shall be eliminated in the individual financial report. The gains and losses arising from the counter-current and side-current transactions between the Company and its subsidiaries are only recognized in individual financial reports within the scope that has nothing to do with the Company's equity in the subsidiaries.

## 2. Investment in associates

Affiliates refer to companies that the Company has significant influence over, but are not subsidiaries.

The Company invested in its associates using equity method.

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 associates 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, which is included within the carrying amount of the investment. The entire carrying amount of the investment (including goodwill) 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, after reassessment, is recognized immediately in profit or loss.

When the associated company issues new shares, if the Company fails to subscribe according to the shareholding ratio, which causes the shareholding ratio to change, and consequently increases or decreases the net equity value of the investment, the amount of increase or decrease shall be adjusted to the capital reserve - use the equity method to recognize the changes in the net equity of associates and the investment using the equity method. If the shareholding ratio is not subscribed nor obtained, which results in a decrease in the ownership and interest of the associated company, the amount recognized in the other comprehensive profit and loss related to the associated company shall be reclassified according to the reduced portion, and the basis of accounting treatment is related to the associated company, if the relevant assets or liabilities are directly disposed of, the basis must be the same; if

the adjustment in the preceding paragraph should be debited to the capital surplus, and the balance of the capital reserve generated by the investment using the equity method is insufficient, the difference is debited to the retained earnings.

When the Company's share of losses in the associated company equals or exceeds its equity in the associated company (including the carrying amount of the investment in the associated company under the equity method and other long-term interests that are essentially part of the Company's net investment in the associated company), that is, stop recognizing further losses. The Company only recognizes additional losses and liabilities within the scope of incurred statutory obligations, deduced obligations, or payments on behalf of associates.

When assessing an impairment, the Company regards the overall book value of the investment (including goodwill) as a single asset, compares the recoverable amount with the carrying amount, and conducts an impairment testing. The recognized impairment loss is not allocated to the component of the investment book value. Any assets, including goodwill, any reversal of the impairment loss shall be recognized within the scope of the subsequent increase in the recoverable amount of the investment.

The Company ceases to use the equity method on the day when its investment ceases to be an associated company, and its retained equity in the original associated company is measured at fair value, recorded in the current profit and loss. In addition, for all amounts recognized in other comprehensive profit and loss related to the associated company, the basis of accounting treatment is the same as the basis that the associated company must abide by when and if it directly disposes the assets or liabilities. If an investment in an associated company becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associated company, the Company will continue to use the equity method without re-evaluating the retained equity.

The profit and loss arising from the upstream, downstream, and side-current transactions between the Company and the associated company are recognized in the individual financial report only to the extent that the Company has no relation to the equity of the associated company.

(h) Property, Plant and Equipment

Property, plant and equipment are listed as expenses, measured at cost less accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other identical categories of property, plant and equipment, commences when the assets are available for their intended use.

Land is not depreciated, other property, plant and equipment's residual values over their useful lives, and depreciation are computed using the straight-line method, estimate the depreciated value individually based on every significant part. The Company shall estimate and review their useful lives, residual values, and depreciation method at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(i) Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives, finite useful lives, residual values, and amortization method should be reviewed at the end of each reporting period by the Company, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with uncertainty lives are presented as cost less accumulated impairment losses.

As intangible assets are being removed, the difference between the net disposal value and the asset's book value is recognized in the current profit and loss.

(j) Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets (besides goodwill)

The Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets (besides goodwill) to determine whether there is any indication that those assets have suffered an impairment loss on each balance sheet date. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. 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 individual cash-generating units for which a reasonable and consistent allocation basis can be identified.

For intangible assets that don't have definite useful life and are not yet available for use, impairment testing shall be carried out at least annually and when there are signs of impairment.

The recoverable amount is the higher of the fair value minus cost of sale and its use value. If the recoverable amount of an individual 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, and the impairment loss is recognized in profit and loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is adjusted to the revised recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in the previous year (minus amortization or depreciation). A reversal of an impairment loss is recognized immediately in profit or loss.

(k) Financial Instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes a party to the contract terms of the instrument.

In the initial recognition of financial assets and financial liabilities, if financial assets or financial liabilities are not measured at fair value through profit and loss, they are measured at fair value plus trading costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Trading costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit and loss are immediately recognized as profit and loss.

1. Financial Asset

Conventional transactions of financial assets are recognized and delisted by accounting on the trading day.

(1) Types of Measurement

Types of financial assets held by the Company are financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, and equity instrument investment measured at fair value through other comprehensive gains and losses.

A. Financial Assets Measured at Fair Value Through Profit and Loss

Financial assets measured at fair value through profit and loss include mandatory fair value through profit and loss and financial assets designated as fair value through profit and loss. Mandatory financial assets measured at fair value through profit or loss include equity instrument investments that the amalgamating company has not specified to be measured at fair value through other comprehensive profit and loss, and debt instrument investments that are not classified as measured at amortized cost or measured at fair value through other comprehensive profit and loss.

Financial assets are designated at the time of initial recognition as measured at fair value through profit and loss, if the designation can eliminate or significantly reduce measurement or recognition inconsistencies.

Financial assets measured at fair value through profit and loss are the dividends and interests generated by fair value measurement, that are recognized in other income and interest income respectively, and the benefits or losses generated by the re-measurement are recognized in other income and loss. Please refer to Note TWENTY-SEVEN for the method of determining fair value.

**B. Financial Assets at Amortized Cost**

If the financial assets invested by the Company meet the following two conditions at the same time, they are classified as financial assets measured at amortized cost:

- a. Held under a certain business model, the purpose of this model is to hold financial assets to collect contractual cash flows; and
- b. The terms of the contract generate cash flows on a specific date, and these cash flows are all interests on the payment of the principal and the amount of principal in circulation.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, notes receivable and other receivables measured at amortized cost) after initial recognition, are measured by the total book amount determined by the effective interest method minus the amortized cost of any impairment loss, and any foreign currency exchange gains and losses are recognized as in profit and loss.

Except for the following two cases, interest income is calculated by multiplying the effective interest rate by the total book value of financial assets :

- a. For purchased or created credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial assets.
- b. For financial assets that are not purchased or originated from credit impairment, but subsequently become credit impairment, calculate the interest income by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the credit impairment.

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

Cash equivalents include time deposits that are highly liquidated and can be converted into fixed cash at any time within 3 months from the date of acquisition, and the risk of changes in value is very low, which is used to meet short-term cash commitments.

C. Investment in Equity Instruments Measured at Fair Value Through Other Comprehensive Income

During initial recognition, the Company can make an irrevocable choice to invest in equity instruments that are not held for trading and not recognized by the purchaser of a business merger, and designated to be measured at fair value through other comprehensive income.

Equity instrument investments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes in fair value are reported in other comprehensive income and accumulated in other equity. At the time of investment disposal, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

Dividends derived from equity instrument investments measured at fair value through other comprehensive income are recognized in the profit and loss when the rights of payment collection of the Company were established unless the dividends clearly represent partial investment cost recovery.

(2) Impairment Loss of Financial Assets and Contractual Assets

The Company assesses the financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date, debt instrument investments measured at fair value through other comprehensive income, operating lease receivables, and impairment loss of contractual assets.

Accounts receivable, operating lease receivables, and contractual assets are all recognized as loss allowance based on expected credit losses during the duration. For other financial assets, first assess whether there is a significant higher credit risk since the initial recognition. If there is no significant higher risk, the loss allowance is recognized based on the 12-month expected credit loss; if the risk has increased significantly, the loss allowance is recognized based on the duration of the expected credit loss.

Expected credit loss is the weighted average credit loss based on the risk of breach of contract. The 12-month expected credit loss refers to the

expected credit loss caused by the possible breach of contract event of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss caused by all possible breach of contract events during the expected lifetime of the financial instrument.

The Company is for the purpose of internal credit risk management, and without considering the collateral held, when it is determined that there is internal or external information showing that the debtor is unable to pay off the debt, it represents that the financial asset has breached the contract. The impairment loss of all financial assets is reduced by the allowance account to reduce its carrying amount, but the loss allowance of debt instrument investment measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce its carrying amount.

(3) Delisting of Financial Assets

The Company only delists financial assets when the contractual rights from the cash flow of financial assets have lapsed, or the financial assets have been transferred and almost all the risks and rewards of the ownership of the assets have been transferred to other companies.

When a financial asset measured at amortized cost is delisted, the difference between its book value and the consideration received is recognized in profit or loss. When the debt instrument investment measured at fair value through other comprehensive income is delisted, the difference between the carrying amount and the consideration received plus the sum of any accumulated profits or losses that have been recognized in other comprehensive income is recognized in profit and loss. When equity instrument investments measured at fair value through other comprehensive income are delisted, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

2. Financial Liabilities

(1) Subsequent Measurement

Except for the cases below, all financial liabilities are measured at amortized cost using the effective interest method:

Financial Liabilities Measured at Fair Value Through Profit and Loss

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

Interested derived from financial liabilities held for trading and designated as fair value through profit and loss are recognized as finance cost, other profits or losses arise from remeasurement are recognized in other profits and losses. Please refer to Note TWNETY-SEVEN for the method of determining the fair value.

(2) Delisting of Financial Liabilities

When delisting financial liabilities, the difference between its carrying amount and the paid amount (including any transferred non-cash assets or liabilities assumed) is recognized as profit or loss.

3. Derivative Financial Instruments

Derivatives signed by the Company include forward foreign exchange contracts, interest rate exchanges and currency exchanges, which are used to manage the company's interest rate and exchange rate risks.

Derivative instruments are initially recognized at fair value when the derivative instrument contract is signed, and subsequently re-measured at fair value on the balance sheet date. The profits or losses resulting from subsequent measurement are directly included in the profit and loss, but they are designated as derivatives of effective hedging instruments. The point at which tools are recognized in profit or loss will depend on the nature of the hedging relationship. When the fair value of the derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

If derivative instruments are embedded in the asset master contract within the scope of IFRS 9 "Financial Instruments", the overall contract determines the classification of financial assets. If a derivative is embedded in an asset master contract that is not within the scope of IFRS 9 (such as embedded in a financial liability master contract), and if the embedded derivative meets the definition of a derivative, its risk and characteristics are not closely related to the risk and characteristics of the master contract, when the combined contract is not measured at fair value through profit or loss, the derivative is regarded as a separate derivative.

(l) Preparation of Liabilities

The amount recognized as a liability reserve is based on the risk and uncertainty of the obligation and is the best estimation of the expenditure required to settle the obligation on the balance sheet date. The liability provision is measured by the discounted value of the estimated cash flow of the obligated settlement.

(m) Income Recognition

After the Company identifies performance obligations in the customer's contract, it allocates the trading price to each performance obligation, and recognizes revenue when each performance obligation is met.



### Commodity Sales Revenue

Commodity sales revenue is generated from customers who have the right to determine prices and use the commodities and are responsible for resale, customers bear the consequences of commodity obsolescence. The Company recognizes revenue and accounts receivable at this point.

When the material is removed for processing, the control of the ownership of the processed commodity has not been transferred, so the income is not recognized when the material is removed.

### (n) Lease

The Company assesses whether the contract belongs to (or contains) a lease on the date of signing contract.

#### 1. The Company as Lessor

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

Under operating leases, lease payments after deduction of lease incentives are recognized as income on a straight-line basis during the relevant lease period. The original direct cost incurred in obtaining an operating lease is added to the book value of the underlying asset and recognized as an expense during the lease period on a straight-line basis.

When the lease includes both land and building elements, the Company assesses whether almost all the risks and returns attached to the ownership of each element have been transferred to the lessee to assess whether each element is classified 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 signing contract. If the lease payment can be reliably allocated to these two elements, each element is treated according to the applicable lease classification. If the lease payment cannot be allocated to these two elements reliably, the overall lease is classified as a finance lease, but if both of these elements clearly meet the operating lease standards, the overall 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 on the lease start date.

The right-of-use asset is originally measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date minus the lease incentives received, the original direct cost and the estimated cost of restoring the underlying asset), and the subsequent cost minus accumulated depreciation and measure the amount after the accumulated impairment loss, as well as adjust the remeasurement amount of the lease liability.

The right-of-use assets are separately expressed on the balance sheet.

The right-of-use asset is depreciated on a straight-line basis from the lease start date to the end of the service life or the expiration of the lease period, whichever is earlier.

The lease liability is originally measured by the present value of the lease payment (including fixed payment). If the implicit interest rate of the lease can be easily determined, the lease payment is discounted using that interest rate. If the interest rate is not easily determined, use the lessee's incremental borrowing interest rate.

Subsequently, lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period. If changes in the lease payment period or the index or rate used to determine lease payments result in changes in future lease payments, the company will re-measure the lease liability and adjust the right-of-use assets accordingly. However, if the book value of the right-of-use asset has been reduced to zero, then The remaining remeasured amount is recognized in profit and loss. For lease modifications that are not treated as separate leases, remeasurement of the lease liability due to the reduction in the scope of the lease 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 re-measurement of the lease liability due to other modifications is to adjust the right-of-use asset. Lease liabilities are separately expressed on individual balance sheets.

The company and the lessor conducted rental negotiations directly related to the Covid-19 pandemic, adjusted the rent due before June 30, 2021, resulting in rent reduction. These negotiations did not significantly change other lease terms. The company chooses to adopt practical expedients to deal with the rental negotiation that meets the aforementioned conditions and does not assess 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 Cost

The borrowing cost directly attributable to the acquisition, construction or production of a qualified asset is a part of the cost of the asset until almost all necessary activities for the asset to reach its intended use or sale status have been accomplished.

Specific borrowings, such as investment income earned by temporary investment before the capital expenditure that meets the requirements, are deducted from the borrowing cost that meets the capitalization conditions.

Except for the above, all other borrowing costs are recognized as profit or loss in the current period.

(p) Government Subsidies

Government subsidies are recognized only when it is reasonably certain that the company will comply with the conditions attached to the government subsidies and will receive such subsidies.

The government subsidies related to income are recognized in the profit and loss on a systematic basis during the period when the related costs that they intend to compensate are recognized as expenses in the merging company.

If the government subsidy is used to compensate for the expenses or losses that have occurred or is for the purpose of providing immediate financial support to the company and has no future related costs, it shall be recognized in the profit and loss during the period when it can be received.

(q) Employee Benefits

1. Short-term Employee Benefits

Short-term employee benefit-related liabilities are measured by the expected non-discounted amount of cash paid in exchange for employee services.

2. Retirement Benefits

The determination of the retirement fund for the retirement plan is to recognize the amount of the retirement fund that should be provided as an expense during the employee's service period.

The definite benefit cost (including service cost, net interest and remeasurement) of the definite benefit retirement plan is calculated using the estimated unit benefit method. Service costs, including current service costs and net interest on net defined benefit liabilities (assets) were recognized as employee benefit expenses when incurred. Re-measurement (including actuarial gains and losses and remuneration of planned assets after interest deduction) are recognized when incurred. It is included in other comprehensive profit and loss and included in retained earnings and is not reclassified to profit or loss in subsequent periods.

The net definite benefit liability (asset) is the shortfall (remaining) of the definite benefit retirement plan. The net determined welfare assets shall not exceed the present value of the refund of the withdrawal from the plan or the reduction of the future withdrawal.

(r) Treasury Stock

When the Company buys back the company's stock, it is reported at the cost of the buy-in. When disposing, the price difference generated by the treasury stock exchange is listed under the shareholder's equity. The Company's subsidiaries hold the company's stocks, and they are treated as treasury stocks in accordance with the provisions of the International Financial Reporting Standards Bulletin No. 2 "Share Basic Benefits".

The Company's repurchase of the company's stock is the Company's repossession or purchase of its own shares within the governance of law. Before disposition or cancellation, the recovery or purchase cost is listed as a deduction of shareholders' equity.

If the price of the treasury stock is higher than the book value, the difference is listed as capital reserve-treasury stock transaction; if the price of the treasury is lower than the book value, the difference will first offset the capital reserve generated by the transaction of the same type of treasury stock, such as if there is a deficiency, the retained surplus is debited.

(s) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

The income tax on unappropriated earnings calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, which is recognized in the annual shareholders' meeting.

The adjustment of income tax payable in previous years shall be included in current income tax.

2. Deferred Income Tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculating taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are likely to have taxable income for deduction of temporary differences, loss deductions or purchase of machinery and equipment and research the income tax deductions for development and other expenditures are recognized.

Taxable temporary differences related to investment in subsidiaries and related companies are recognized as deferred income tax liabilities. However, if the company can control the timing of the reversion of the temporary differences, and the temporary differences are likely to not be in the foreseeable future. Except those who will return. The deductible temporary differences related to this type of investment will be recognized as deferred income tax only if it is likely to have sufficient taxable income to realize the temporary differences, and within the scope expected to return in the foreseeable future assets.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date, and the carrying amount is reduced for those that no longer have sufficient taxable income to recover all or part of their assets. For those that have not been recognized as deferred income tax assets, they are also reviewed on each balance sheet date, and if they are likely to generate taxable income in the future for recovering all or part of their assets, the book amount will be increased.

Deferred income tax assets and liabilities are measured by the current tax rate for the expected debt settlement or asset realization. The tax rate is based on the tax rate and tax law that had been legislated or substantively legislated on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences arising from the way the Company expects to recover or settle the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and Deferred Income Tax

Current and deferred income taxes are recognized in profit or loss, but current and deferred income taxes related to items recognized in other comprehensive profit or loss or directly included in equity are recognized in other comprehensive profit or loss or directly included in equity.

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When the company adopts accounting policies, management must make relevant judgments, estimates and assumptions based on experience and other relevant factors for the difficulty of obtaining relevant information from other sources. Actual results may differ from estimations.

The management will continue to review the estimations and basic assumptions. If the revision of the estimation only affects the current period, it shall be recognized in the current period of the revision. If the revision of accounting estimations affects both the current period and the future period, it shall be recognized in the current and the future periods of the revision.

6. Cash and Cash Equivalents

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Cash and deposit in banks	\$ 646	\$ 587
Bank cheques and current saving	665,200	135,284
Cash equivalent		
Short-term bills	170,880	1,094,270
Bank foreign currency time deposits with maturity in 3 months	89,729	1,296,447
	<u>\$ 926,455</u>	<u>\$ 2,526,588</u>

As of December 31, 2020, there were bank foreign currency time deposits of NT\$113,920 thousand with a maturity period of more than 3 months, which were accounted for under other financial current assets.

As of December 31, 2019 and 2020, the following time deposits are pledged, and other financial assets are listed under the liquidity account-under the current items (Please refer to Note TWENTY-NINE).

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>	<u>Purpose</u>
Time deposit	<u>\$ 2,000</u>	<u>\$ 2,000</u>	Deposit for natural gas

## 7. Financial Instruments Measured at Fair Value Through Profit and Loss

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<u>Financial assets mandatorily measured at FVTPL - current</u>		
Non-derivative financial assets		
— domestic listed(OTC) stocks	\$ <u>55,979</u>	\$ <u>54,886</u>
<u>Financial assets mandatorily measured at FVTPL – non-current</u>		
Non-derivative financial assets		
— domestic unlisted (not OTC)		
common stocks	\$ 11,395	\$ 13,017
— foreign unlisted (not OTC)		
common stocks	<u>430</u>	<u>430</u>
	\$ <u>11,825</u>	\$ <u>13,447</u>
<u>Financial liabilities mandatorily measured at FVTPL - current</u>		
Derivative instrument ( no hedging specified )		
— Foreign exchange contract	\$ <u>-</u>	\$ <u>27,094</u>

The unexpired foreign exchange contracts that did not adopt hedging accounting on the balance sheet date are as follows:

Dec 31, 2019

<u>Currency</u>	<u>Duration</u>	<u>Contract Sum ( thousands )</u>	<u>Rate</u>
USD to NTD	01.14.2020-01.21.2020	USD 148,000 / NTD 4,470,340	30.18 ~ 30.25

In 2020 and 2019, the net profits and losses of financial products from the current financial assets (liabilities) measured by the fair value of the profits and losses were measured at a net profit of NT\$ 26,566 thousand and a net loss of NT\$ 10,801 thousand, respectively.

## 8. Notes and Accounts Receivable

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<u>Notes receivable</u>		
Measured by cost after amortization		
Total book value	\$ 33,470	\$ 73,605
less : allowance for impairment loss	( <u>300</u> )	( <u>700</u> )
	\$ <u>33,170</u>	\$ <u>72,905</u>
<u>Accounts receivable</u>		
Measured by cost after amortization		
Total book value	\$ 1,307,996	\$ 1,571,142
Less : allowance for impairment loss	( <u>6,932</u> )	( <u>9,284</u> )
	\$ <u>1,301,064</u>	\$ <u>1,561,858</u>

### Accounts Receivable

In principle, the credit period of the Company to customers is from 30 days to 180 days on the monthly settlement, and the accounts receivable are not interest-bearing. In addition to the actual credit impairment losses of individual customers, the Company refers to past experience, considers the financial status of individual customers and their respective industries, competitive advantages and prospects, and categorizes individual customers into different risk assessment groups and according to the respective group, the loss rate is recognized as an allowance for impairment loss.

To reduce the credit risk, the management of the Company assigns a dedicated team to be responsible for the determination of credit limits, credit approval and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Company will review the recoverable amounts of receivables one by one on the balance sheet date to ensure that the unrecoverable receivables have been properly deducted accordingly. Thus, the management believes that the credit risk of the Company has been significantly reduced.

The Company measures the accounts and notes receivable (not including related parties), the allowance for impairment loss is as follows (the Company does the assessment on the basis of accounting date):

#### Dec 31, 2020

	0~60days	61~90days	91~120days	Over121 days	Total
Expected credit loss rate	0.5%~1%	0.5%~1%	0.5%~1%	0.5%~1%	
Total book value	\$ 907,533	\$ 227,883	\$ 177,779	\$ 28,271	\$1,341,466
Allowance for impairment loss (lifetime expected credit loss )	( 4,932 )	( 1,208 )	( 942 )	( 150 )	( 7,232 )
Cost after amortization	<u>\$ 902,601</u>	<u>\$ 226,675</u>	<u>\$ 176,837</u>	<u>\$ 28,121</u>	<u>\$1,334,234</u>

#### Dec 31, 2019

	0~60days	61~90days	91~120days	Over121 days	Total
Expected credit loss rate	0.5%~1%	0.5%~1%	0.5%~1%	0.5%~1%	
Total book value	\$1,069,939	\$ 289,099	\$ 243,586	\$ 42,123	\$1,644,747
Allowance for impairment loss (lifetime expected credit loss )	( 6,588 )	( 1,708 )	( 1,439 )	( 249 )	( 9,984 )
Cost after amortization	<u>\$1,063,351</u>	<u>\$ 287,391</u>	<u>\$ 242,147</u>	<u>\$ 41,874</u>	<u>\$1,634,763</u>

Information on the changes of allowance loss of accounts and notes receivable is as follow:

	2020	2019
Opening balance	\$ 9,984	\$ 10,298
Add : The current period (reversal) is listed as impairment loss	( 2,752 )	( 314 )
	<u>\$ 7,232</u>	<u>\$ 9,984</u>

9. Inventories

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Raw materials	\$ 424,235	\$ 555,888
Materials	73,826	71,770
Raw materials in transit	232,865	297,463
Processed goods	576,479	783,120
Finished goods	461,492	786,658
Inventory in transit	<u>225,537</u>	<u>29,591</u>
	<u>\$ 1,994,434</u>	<u>\$ 2,524,490</u>

The inventory-related cost of goods sold in 2020 and 2019 were NT\$10,168,838 thousand and NT\$14,091,788 thousand, respectively.

Operating costs for 2020 and 2019 included \$NT71,083 thousand and NT\$367,741 thousand, respectively, from the rising inventory prices.

The profit from the rebound in the net realizable value of inventories in 2020 and 2019 was mainly due to the rebound in the prices of raw materials and finished products and the removal of inventories that were originally listed as depreciation losses.

Due to the impact of the new Covid-19 pandemic, the relevant expenditures during the shutdown period of some production lines have been fully included as current costs.

10. Financial assets measured at fair value through other comprehensive profits and losses

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Equity instrument investment measured at fair value through other comprehensive profits and losses - non-current Domestic listed stocks	<u>\$ 947,010</u>	<u>\$ 682,247</u>

The Company invests in the aforementioned equity instruments for mid/long-term hold, and therefore chooses to designate these investments as measured at fair value through other comprehensive profits and losses.

11. Investments Using Equity Method

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Invested subsidiaries	\$ 1,391,588	\$ 1,115,248
Invested associates	<u>2,588,021</u>	<u>1,745,214</u>
	<u>\$ 3,979,609</u>	<u>\$ 2,860,462</u>



(a) Invested Subsidiaries

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Non-public listed ( OTC ) company		
In Talent Investments Limited	\$ 298,896	\$ 285,989
Li Mao Investment Co., Ltd.	410,776	320,435
Hung Hsing Investment Co., Ltd.	310,106	244,820
Li Shing Investment Co., Ltd.	339,691	264,004
Libolon Energy Co., Ltd.	18,826	-
Eton Petrochemical Co., Ltd.	<u>13,293</u>	<u>-</u>
	<u>\$ 1,391,588</u>	<u>\$ 1,115,248</u>

	<u>% of equity and voting rights held</u>	
<u>Company name</u>	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
In Talent Investments Limited	100.00%	100.00%
Li Mao Investment Co., Ltd.	53.38%	53.38%
Hung Hsing Investment Co., Ltd.	53.02%	53.02%
Li Shing Investment Co., Ltd.	53.00%	53.00%
Libolon Energy Co., Ltd.	70.00%	-
Eton Petrochemical Co., Ltd.	75.00%	-

For the disclosure of the acquisition of Libolon Energy Co., Ltd, please refer to the consolidated financial statements of 2020 in the Attached Note 24.

(b) Invested Associates

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Significant Associate		
PT. INDONESIA LIBOLON FIBER SYSTEM	\$ 752,312	\$ -
Insignificant Associate	<u>1,835,709</u>	<u>1,745,214</u>
	<u>\$ 2,588,021</u>	<u>\$ 1,745,214</u>

Significant Associates

	<u>% of equity and voting rights held</u>	
<u>Company name</u>	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
PT. INDONESIA LIBOLON FIBER SYSTEM	30%	-

For information on the businesses, main location of operation and country of registration of the above-mentioned associates, please refer to the attached Table "Name of Invested Company, Location... and Other Related Information" in attached Table SIX.

The associates' first-tier fair value information in the public market is as follows :

Company name	Dec 31, 2020	Dec 31, 2019
Rich Development Co., Ltd.	<u>\$ 536,737</u>	<u>\$ 539,293</u>

The Company adopts equity measurement for all the above-listed associates.

The following summary of financial information is prepared on the basis of the IFRSs financial reports of each associate, and has reflected the adjustments made when the equity method is adopted.

PT. INDONESIA LIBOLON FIBER SYSTEM

	Dec 31, 2020
Current assets	\$ 524,765
Non- current assets	2,261,270
Current liabilities	( 1,046,810 )
Non- current liabilities	( <u>78,049</u> )
Equity	<u>\$ 1,661,176</u>
Ratio of the share held by the Company	30%
The Company's rights	\$ 498,353
Goodwill	<u>253,959</u>
Invested book value	<u>\$ 752,312</u>
	May 1 to Dec 31, 2020
Operating income	<u>\$ 431,622</u>
Current net profit	\$ 35,566
Other comprehensive income	( <u>10,401</u> )
Total comprehensive income	<u>\$ 25,165</u>

Since the Company has obtained the fair value of the identifiable net assets of PT. INDONESIA LIBOLON FIBER SYSTEM, which has yet to be completed in the purchase price allocation report, the goodwill dated December 31, 2020 is the tentative balance.

Summarized Information on Each Insignificant Affiliates:

	2020	2019
Company's share		
Continuing business unit's net profit (loss) for the year	\$ 25,655	\$ 29,019
Other comprehensive income	<u>142,322</u>	( <u>41,214</u> )
Total comprehensive income	<u>\$ 167,977</u>	( <u>\$ 12,195</u> )

The Company's investment using the equity method and its share of profit and loss and other comprehensive profit and loss, the financial statements of Rich Development Co. Ltd., Fu Li Express Co. Ltd. and PT. INDONESIA LIBOLON FIBER SYSTEM are not verified by the Company's accountants for visa verification, but by other accountants.

## 12. Property, Plant and Equipment

	Dec 31, 2020	Dec 31, 2019
Owned land	\$ 1,746,786	\$ 1,746,786
Land improvement	8,691	10,489
Building	1,597,900	1,679,715
Machinery equipment	1,776,975	2,159,265
Transportation	24,317	32,697
Office equipment	4,822	2,255
Other equipment	340,236	372,410
Rental assets	-	234
Unfinished construction	18,466	3,112
	<u>\$ 5,518,193</u>	<u>\$ 6,006,963</u>

	Owned Land	Land Improvement	Building	Machinery Equipment	Transportation	Office Equipment	Other Equipment	Lease Assets	Unfinished Construction	Total
<u>Cost</u>										
Jan 1, 2019 balance	\$ 1,698,288	\$ 377	\$ 3,054,236	\$10,084,996	\$ 97,368	\$ 44,742	\$ 2,335,236	\$ 14,686	\$ 2,822	\$17,332,751
Additions	12,265	-	3,058	36,598	5,520	-	12,891	-	294,247	364,579
Disposals	-	-	( 7,165 )	( 41,581 )	( 1,393 )	( 581 )	( 15,137 )	-	-	( 65,857 )
Account transfer	36,233	10,789	502	212,175	3,200	-	31,058	-	( 293,957 )	-
Dec 31, 2019 balance	<u>\$ 1,746,786</u>	<u>\$ 11,166</u>	<u>\$ 3,050,631</u>	<u>\$10,292,188</u>	<u>\$ 104,695</u>	<u>\$ 44,161</u>	<u>\$ 2,364,048</u>	<u>\$ 14,686</u>	<u>\$ 3,112</u>	<u>\$17,631,473</u>
Jan 1, 2020 balance	\$ 1,746,786	\$ 11,166	\$ 3,050,631	\$10,292,188	\$ 104,695	\$ 44,161	\$ 2,364,048	\$ 14,686	\$ 3,112	\$17,631,473
Additions	-	-	2,903	8,566	2,279	-	11,648	-	100,747	126,143
Disposals	-	-	( 403 )	( 35,851 )	( 125 )	( 5,543 )	( 7,518 )	-	-	( 49,440 )
Account transfer	-	-	12,246	35,558	-	4,468	33,121	-	( 85,393 )	-
Dec 31, 2020 balance	<u>\$ 1,746,786</u>	<u>\$ 11,166</u>	<u>\$ 3,065,377</u>	<u>\$10,300,461</u>	<u>\$ 106,849</u>	<u>\$ 43,086</u>	<u>\$ 2,401,299</u>	<u>\$ 14,686</u>	<u>\$ 18,466</u>	<u>\$17,708,176</u>
<u>Accumulated depreciation and impairment</u>										
Jan 1, 2019 balance	\$ -	( \$ 377 )	( \$ 1,276,909 )	( \$ 7,750,928 )	( \$ 62,512 )	( \$ 40,565 )	( \$ 1,931,451 )	( \$ 14,197 )	\$ -	( \$11,076,939 )
Disposals	-	-	4,671	41,478	1,393	581	15,137	-	-	63,260
Account transfer	-	-	551	-	-	-	( 551 )	-	-	-
Depreciation	-	( 300 )	( 99,229 )	( 423,473 )	( 10,879 )	( 1,922 )	( 74,773 )	( 255 )	-	( 610,831 )
Dec 31, 2019 balance	<u>\$ -</u>	<u>( \$ 677 )</u>	<u>( \$ 1,370,916 )</u>	<u>( \$ 8,132,923 )</u>	<u>( \$ 71,998 )</u>	<u>( \$ 41,906 )</u>	<u>( \$ 1,991,638 )</u>	<u>( \$ 14,452 )</u>	<u>\$ -</u>	<u>( \$11,624,510 )</u>
Jan 1, 2020 balance	\$ -	( \$ 677 )	( \$ 1,370,916 )	( \$ 8,132,923 )	( \$ 71,998 )	( \$ 41,906 )	( \$ 1,991,638 )	( \$ 14,452 )	\$ -	( \$11,624,510 )
Disposal	-	-	403	35,515	77	5,543	7,518	-	-	49,056
Account transfer	-	-	( 467 )	467	-	-	-	-	-	-
Depreciation	-	( 1,798 )	( 96,497 )	( 426,545 )	( 10,611 )	( 1,901 )	( 76,943 )	( 234 )	-	( 614,529 )
Dec 31, 2020 balance	<u>\$ -</u>	<u>( \$ 2,475 )</u>	<u>( \$ 1,467,477 )</u>	<u>( \$ 8,523,486 )</u>	<u>( \$ 87,532 )</u>	<u>( \$ 38,764 )</u>	<u>( \$ 2,061,063 )</u>	<u>( \$ 14,686 )</u>	<u>\$ -</u>	<u>( \$12,189,983 )</u>

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

Land improvement	5 years
House and building	
Repair and maintenance works	2 to 10 years
New ancillary building	10 to 20 years
Electrical engineering	20 to 30 years
Main building engineering	30 to 45 years
Transportation	
Lift repair and maintenance works	2 to 5 years
Stacker and pallet truck	5 to 6 years
Machinery equipment	
Electrical engineering	2 to 8 years
Machinery engineering	9 to 15 years
Misc. equipment	
Repair and maintenance works	2 to 5 years
Other equipment	5 to 10 years

- (b) The amount of property, plant and equipment that the Company sets pledge as loan guarantee, the details are as follows (please refer to Note FIVTHTEEN, SEVENTEEN, and TWENTY-NINE) :

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Land and building	\$ 3,059,802	\$ 3,143,753
Machinery and other equipment	<u>919,107</u>	<u>1,154,348</u>
	<u>\$ 3,978,909</u>	<u>\$ 4,298,101</u>

### 13. Lease Agreement

- (a) Right of use assets

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Right of use assets carrying amount		
Land	<u>\$ 720</u>	<u>\$ 1,191</u>
	<u>2020</u>	<u>2019</u>
Additions to right of use assets	<u>\$ -</u>	<u>\$ 1,251</u>
Depreciation of right of use assets		
Land	<u>\$ 179</u>	<u>\$ 60</u>

(b) Lease Liabilities

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Lease liabilities carrying amount		
Current	<u>\$ 107</u>	<u>\$ 232</u>
Non-current	<u>\$ 541</u>	<u>\$ 962</u>

Lease liabilities' discount rate range as follows :

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Land	1.51461%	1.51461%

(c) Other information on lease

	<u>2020</u>	<u>2019</u>
Short-term lease expenses	<u>\$ 33,880</u>	<u>\$ 34,067</u>
Total of cash outflow from leasing	<u>\$ 34,184</u>	<u>\$ 34,128</u>

14. Other Intangible Assets

	<u>Software costs</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>Cost</u>			
Jan 1, 2019 balance	\$ 20,760	\$ 11,118	\$ 31,878
Purchased this period	5,628	293	5,921
Reduction this period	( 2,107 )	( 293 )	( 2,400 )
Dec 31, 2019 balance	<u>\$ 24,281</u>	<u>\$ 11,118</u>	<u>\$ 35,399</u>
<u>Accumulated amortization and impairment</u>			
Jan 1, 2019 balance	(\$ 11,654)	(\$ 7,644)	(\$ 19,298)
Amortized this period	( 6,557 )	( 2,314 )	( 8,871 )
Reduction this period	2,107	293	2,400
Dec 31, 2019 balance	( \$ 16,104 )	( \$ 9,665 )	( \$ 25,769 )
Dec 31, 2019 net	<u>\$ 8,177</u>	<u>\$ 1,453</u>	<u>\$ 9,630</u>
<u>Cost</u>			
Jan 1, 2020 balance	\$ 24,281	\$ 11,118	\$ 35,399
Purchased this period	3,193	-	3,193
Reduction this period	( 9,024 )	( 5,902 )	( 14,926 )
Account transfer	1,637	-	1,637
Dec 31, 2020 balance	<u>\$ 20,087</u>	<u>\$ 5,216</u>	<u>\$ 25,303</u>

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	Software costs	Other intangible assets	Total
<u>Accumulated amortization and impairment</u>			
Jan 1, 2020 balance	(\$ 16,104)	(\$ 9,665)	(\$ 25,769)
Amortized this period	( 5,207)	( 1,198)	( 6,405)
Reduction this period	9,024	5,902	14,926
Dec 31, 2020 balance	<u>(\$ 12,287)</u>	<u>(\$ 4,961)</u>	<u>(\$ 17,248)</u>
Dec 31, 2020 net	<u>\$ 7,800</u>	<u>\$ 255</u>	<u>\$ 8,055</u>

Amortization costs are accrued on a straight-line basis based on the following durability years :

Software costs	3 years
Other intangible assets	3 years

15. Borrowing

(a) Short-term loan

	Dec 31, 2020	Dec 31, 2019
<u>Unsecured loans</u>		
Credit loan	\$ 1,924,000	\$ 3,550,000
<u>Secured loans</u>		
Bank loan	120,000	500,000
	<u>\$ 2,044,000</u>	<u>\$ 4,050,000</u>

1. The interest rates of bank revolving loans were 0.5214%~0.91% and 0.90%~1.04556% as of December 31, 2020 and 2019, respectively.
2. The secured loan was secured by property, plant, equipment as of December 31, 2020 and 2019 (please refer to Note TWELVE and TWENTY- NINE).

(b) Short-term Note Receivable— Commercial Promissory Receivable

	Dec 31, 2020	
Guarantee Agency	Interests	Amount
<u>Unsecured</u>		
Ta Ching Bills, China Bills, Taiwan Bills, Mega Bills, International Bills, Grand Bill, and Bangkok Bank	0.31%~0.67%	<u>\$ 1,120,000</u>

Guarantee Agency	Dec 31, 2019	
	Interests	Amount
<u>Unsecured</u>		
Ta Ching Bills, China Bills, Taiwan Bills, Mega Bills, and Taiwan Cooperative Bills	0.58%~0.89%	<u>\$ 620,000</u>

16. Other Account Payable

	Dec 31, 2020	Dec 31, 2019
Advance payment payable	\$ 298,704	\$ -
Other notes payable	91,690	90,879
Year-end bonus payable	69,803	75,656
Salary payable	48,396	51,505
Water and electricity bill payable	32,922	36,894
Processed fee payable	30,437	32,532
Purchase of equipment payable	21,696	28,869
Other payables	158,955	180,329
	<u>\$ 752,603</u>	<u>\$ 496,664</u>

17. Long-Term Loan

	Interest	Dec 31, 2020	Dec 31, 2019
Bank of Taiwan			
Land mortgage loan on Chang Hwa nylon plant 03.07. 2014~02.14.2022, 07.07.2014~02.14.2022, 03.02.2015~02.14.2022, 06.18.2015~02.14.2022 and 09.30.2015~02.14.2022. Interests to be paid monthly, the total loan amount is NT\$ 1 billion, loan repayment cycle is 6 months starting from 08.14.2016, the principal NT\$55,000 thousand is to be repaid in the first 9 months, the remaining principal is to be settled by maturity. (Note)	1.1364%- 1.4429%	\$ 560,000	\$ 615,000
Bank of Taiwan			
Land mortgage loan on Chang Hwa nylon plant 06.29.2016~02.14.2022 and 11.28.2016~02.14.2022 and 02.13.2017~02.14.2022. Interests to be paid monthly, the total loan amount is NT\$987 million, loan repayment cycle is 6 months starting from 08.14.2017, the principal NT\$70,000 thousand is to be repaid in each of the first 7 cycles, the remaining principal is to be settled by maturity. (Note)	1.2104%- 1.4958%	395,000	535,000

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	Interest	Dec 31, 2020	Dec 31, 2019
Chang Hwa Bank			
Interests paid monthly to Bank for Taipei branch's building mortgage loan 12.29.2017~12.29.2022 and 03.29.2018~12.29.2022, total loan amount is NT\$400 million, principal is divided into 16 repayments and shall be repaid every 3 months, cycle starts from 03.29.2019 till maturity.	1.4000%- 1.7000%	\$ 200,000	\$ 300,000
Chang Hwa Bank			
Interests paid monthly to Bank for Taipei branch's building mortgage loan 12.30.2020~12.30.2023, total loan amount is NT\$375 million with principal repayment by maturity.	1.18978%	375,000	-
KGI Bank			
Interests paid monthly to Bank for Taipei branch's long-term credit loan 12.29.2020~10.29.2022, total loan amount is NT\$500 million with principal repayment by maturity.	1.18656%	500,000	-
		2,030,000	1,450,000
Less : Partially transferred to current liabilities due within one year		( <u>155,000</u> )	( <u>350,000</u> )
		<u>\$ 1,875,000</u>	<u>\$ 1,100,000</u>

Note: The maturity date of the original loan was February 14, 2021, which was extended to February 14, 2022 in July and September 2020, respectively.

The long-term loans on December 31, 2020 and 2019 were collateral for property, plant and equipment, please refer to Note TWELVE and TWENTY-NINE.

#### 18. Retirement Benefit Plans

##### (a) Defined contribution plans

The pension system of the "Labor Pension Act" applicable to the Company is a government-managed retirement plan. The retirement pension is allocated to the labor insurance bureau based on 6% of the employee's monthly salary.

##### (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 the



government's designated authorities; 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>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Present value of defined benefit obligation	\$ 352,539	\$ 366,112
Fair value of plan assets	( <u>116,734</u> )	( <u>103,413</u> )
Net defined benefit liability	<u>\$ 235,805</u>	<u>\$ 262,699</u>

Changes to net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Jan 1, 2019 balance	<u>\$ 350,795</u>	( <u>\$ 81,867</u> )	<u>\$ 268,928</u>
Service cost			
Current service cost	3,668	-	3,668
Net interest expense (income)	<u>3,946</u>	( <u>1,051</u> )	<u>2,895</u>
Remeasurement on the net defined benefit	<u>7,614</u>	( <u>1,051</u> )	<u>6,563</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	( 2,767 )	( 2,767 )
Actuarial loss ( gain ) — changes in demographic assumptions	177	-	177
Actuarial loss ( gain ) — changes in financial assumptions	16,471	-	16,471
Actuarial loss ( gain ) — from experience adjustment	<u>7,143</u>	<u>-</u>	<u>7,143</u>
Recognized in other comprehensive income	<u>23,791</u>	( <u>2,767</u> )	<u>21,024</u>
Paid by employer	-	( 32,221 )	( 32,221 )
Benefits payable	( <u>16,088</u> )	<u>14,493</u>	( <u>1,595</u> )
Dec 31, 2019 balance	<u>\$ 366,112</u>	( <u>\$ 103,413</u> )	<u>\$ 262,699</u>
Jan 1, 2020 balance	<u>\$ 366,112</u>	( <u>\$ 103,413</u> )	<u>\$ 262,699</u>
Service cost			
Service cost of the period	3,095	-	3,095
Interest expense (income)	<u>2,746</u>	( <u>863</u> )	<u>1,883</u>
Recognized as profit and loss	<u>5,841</u>	( <u>863</u> )	<u>4,978</u>

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Remeasurement			
Return on plan assets (excluding amounts including in net interest)	\$ -	( \$ 3,102 )	( \$ 3,102 )
Actuarial loss ( gain ) — changes in financial assumptions	10,183	-	10,183
Actuarial loss ( gain ) — experience adjustment	( <u>16,044</u> )	<u>-</u>	( <u>16,044</u> )
Recognized in other comprehensive income	( <u>5,861</u> )	( <u>3,102</u> )	( <u>8,963</u> )
Paid by employer	-	( 22,909 )	( 22,909 )
Benefits payable	( <u>13,553</u> )	<u>13,553</u>	<u>-</u>
Dec 31 2020 balance	<u>\$ 352,539</u>	( <u>\$ 116,734</u> )	<u>\$ 235,805</u>

The amount of profit and loss recognized in the defined benefit plan is listed as follows:

	2020	2019
Categorized by functions		
Operating cost	\$ 4,055	\$ 5,316
Management expense	638	887
R&D expense	<u>285</u>	<u>360</u>
	<u>\$ 4,978</u>	<u>\$ 6,563</u>

Through the defined benefits 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 equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
2. Interest risk: The decrease in the interest rate of corporate bonds will increase the present value of the defined benefit liabilities, however, the debt investment returns of the planned assets will also increase accordingly. The effects of the two on the net defined benefit liabilities will partially offset the effect.
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 plan assets of the Company and the present value of the defined benefit obligation are actuarial calculations performed by qualified actuaries. The key assumptions on the measurement date are as follows:

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Discount rate	0.50%	0.75%
Future salary increase rate	2.25%	2.25%

If the major actuarial assumptions are subject to reasonably possible changes, and all other assumptions remain unchanged, the amount that will increase (decrease) the present value of the defined benefit obligation is as follows:

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Discount rate		
Increase 0.25%	(\$ 10,183)	(\$ 11,096)
Decrease 0.25%	<u>\$ 10,607</u>	<u>\$ 11,579</u>
Expected salary increase rate		
Increase 0.25%	<u>\$ 10,250</u>	<u>\$ 11,216</u>
Decrease 0.25%	<u>(\$ 9,895)</u>	<u>(\$ 10,808)</u>

Since actuarial assumptions may be related, it is unlikely that only a single assumption will change, so the above sensitivity analysis may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Expected withdrawn within 1 year	<u>\$ 16,920</u>	<u>\$ 23,317</u>
Defined benefit obligation average maturity	11.6 years	12.2 years

## 19. Equity

### (a) Shares

#### Common share

	<u>Dec 31, 2020</u>	<u>Dec 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>
Issued and paid shares (in thousands)	<u>914,487</u>	<u>914,487</u>
Issued capital	<u>\$ 9,144,872</u>	<u>\$ 9,144,872</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and receive dividends.

(b) Capital reserve

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Using equity method to recognize the capital reserve of affiliates	\$ 60,067	\$ 59,926
Recognition of changes in ownership and equity of subsidiaries	435	-
Treasury stock trading	<u>74,118</u>	<u>74,118</u>
	<u>\$ 134,620</u>	<u>\$ 134,044</u>

The excess from the issuance of stocks in excess of the par value in the capital reserve (including the issuance of ordinary shares in excess of the par value, the share premium of the issuance of shares due to mergers, treasury stock transactions, and the difference in the book value of the acquisition or disposal of the equity price of a subsidiary company, etc.) and receiving gifts with proportional income can be used to make up for losses, and can also be used to pay cash dividends or to capitalize when the company isn't operating at a loss. However, the capital to be capitalized is limited to a fixed percentage of the paid-in capital each year.

The capital reserve generated by the investment using the equity method and all changes in the equity of the subsidiaries can only be used to make up for losses.

(c) Retained earnings and dividend policy

1. According to the surplus distribution policy of the Company, if there is a surplus in the financial account at year end, the earnings shall first make up for the accumulated losses, and then to allocate 10% of the earnings according to the law as the statutory surplus reserve, but if the statutory surplus reserve has reached the actual income of the total amount of capital, it may be exempted from continuing to be listed; the special surplus reserve may be transferred or converted into a special surplus reserve according to laws or regulations or by the authority. If there is a balance remained, add the accumulated undistributed surplus at the beginning of the period as the distributable surplus by allocating 0% to 100% of the distributable surplus. The board of directors will draft a surplus distribution proposal and submit it to the shareholders meeting for approval. In addition, the cash dividend must not be less than 5% of the total dividend, but if the cash dividend per share is less than NT\$0.1, it may be changed to offer stock dividends. Due to the volatile industrial business environment and the development of diversification, the board of directors may decide to change to offer stock dividends based on the capital budget and funds available. Please refer to Note TWENTY-ONE (SEVEN) Employee Compensation and Board of Directors' Compensation for the compensation policy stipulated in the policy articles of the Company.
2. The appropriations of the 2019's loss compensation and 2018's annual earnings cases have been approved by the Company's Board of Directors in its meetings held on June 18, 2020 and June 12, 2019, respectively.

	Retained earnings distribution plan		Dividend per share (NTD)	
	2019	2018	2019	2018
Legal capital reserve	\$ -	\$ 16,195	\$ -	\$ -
Special capital reserve	-	326,429	-	-
Cash dividends	-	182,898	-	0.2

The information about the Company's distribution of surplus to shareholders is available at the Market Observation Post System website.

The Company has filed and reverted in accordance with the requirements of FSC with certified documents No. 1010012865, No. 1010047490 and "Questions and Answers Concerning the Application of Special Surplus Reserves after the adoption of International Financial Reporting Standards (IFRSs)". If there is a subsequent reversal of the deduction balance of other shareholders' equity, the reversal part of the surplus may be distributed.

The legal capital reserve shall be allocated until the balance reaches the total paid-up share capital of the company. The legal capital reserve can be used to make up for losses. When the company is not operating under losses, the part of the legal capital reserve exceeding 25% of the total paid-up share capital can be allocated in cash in addition to the capital.

(d) Treasury stock

1. The changes in shares held by the Company and its subsidiaries in 2019 and 2020 are as follows:

Reason for withdrawal	Shares, beginning of year	2020		Shares, end of year
		Increase	Decrease	
Parent company's shares held by subsidiary	82,948,106	-	-	82,948,106
Shares transferred to employees	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>
	<u>90,948,106</u>	<u>-</u>	<u>-</u>	<u>90,948,106</u>
Reason for withdrawal	Shares, beginning of year	2019		Shares, end of year
		Increase	Decrease	
Parent company's shares held by subsidiary	82,948,106	-	-	82,948,106
Shares transferred to employees	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>
	<u>90,948,106</u>	<u>-</u>	<u>-</u>	<u>90,948,106</u>

2. The purpose of holding the Company's shares by subsidiaries is to protect shareholders' rights and interests, relevant information is as follows :

Subsidiary	Shares held	Amount transferred to treasury stock
<u>Dec 31, 2020</u>		
Li Mao Investment Co.	34,177,995	\$ 148,007
Hung Hsing Investment Co.	24,618,087	105,886
Li Shing Investment Co.	24,152,024	<u>103,845</u>
		<u>\$ 357,738</u>
<u>Dec 31, 2019</u>		
Li Mao Investment Co.	34,177,995	\$ 148,007
Hung Hsing Investment Co.	24,618,087	105,886
Li Shing Investment Co.	24,152,024	<u>103,845</u>
		<u>\$ 357,738</u>

3. On December 31, 2020, the Company listed the amount of treasury stocks of NT\$432,403 thousand, including the amount of NT\$74,665 thousand that the Company bought back treasury shares of and the amount of NT\$357,738 thousand transferred to the treasury stocks of the Company held by its subsidiaries. The listed amounts have been adjusted according to the Company's shareholding ratio in subsidiaries. The market price of the Company's shares as of December 31, 2020 was NT\$9.02 per share.
4. The Company holds treasury stocks, which shall not be pledged in accordance with the Securities and Exchange Act, nor shall it enjoy the rights of dividend distribution and voting rights. In addition, subsidiaries holding the Company's shares shall be treated as treasury stocks, except for not participating in cash reserve increment. Except for not having voting rights, the other rights remain the same as general shareholders.

20. Income

	2020	2019
Commodity sales revenue	\$ 9,907,364	\$ 13,865,065
Processing revenue	458,368	585,184
Other	<u>4,043</u>	<u>2,098</u>
	<u>\$ 10,369,775</u>	<u>\$ 14,452,347</u>

21. Continuing operation unit net profit

(a) Interest income

	2020	2019
Bank deposits	\$ 25,893	\$ 40,349
Interests on loan to related parties	<u>5,636</u>	<u>-</u>
	<u>\$ 31,529</u>	<u>\$ 40,349</u>

(b)Other income

	2020	2019
Lease income		
Lease income of operations	\$ 13,314	\$ 15,237
Dividend income	1,555	31,454
Other ( Note 31 )	<u>107,125</u>	<u>28,914</u>
	<u>\$ 121,994</u>	<u>\$ 75,605</u>

(c)Other gains and losses

	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ 668	(\$ 1,317)
Net exchange difference	( 333,985 )	( 95,924 )
Gain (loss) on financial assets and liability at FVTPL, net	26,566	( 10,801 )
Gain on disposal of investment using the equity method	51	-
Gain on disposal of financial assets	-	756
Other losses	( <u>2,197</u> )	( <u>1,503</u> )
	<u>( \$ 308,897 )</u>	<u>( \$ 108,789 )</u>

(d)Financial cost

	2020	2019
Interests of bank loan	\$ 52,786	\$ 61,548
Interest of loans from related parties	1,873	2,613
Interest of lease liability	10	5
Financial expenses	<u>3,035</u>	<u>1,185</u>
	<u>\$ 57,704</u>	<u>\$ 65,351</u>

Information about interest capitalization is as follows :

	2020	2019
Interest capitalization amount	\$ 1,415	\$ 907
Interest capitalization rate	1.19898%- 1.51968%	1.51401%- 1.51874%

## (e) Depreciation and amortization

	2020	2019
Property, plant and equipment	\$ 614,529	\$ 610,831
Right of use assets	179	60
Intangible assets	6,405	8,871
Down payment	<u>71,701</u>	<u>94,388</u>
Total	<u>\$ 692,814</u>	<u>\$ 714,150</u>
Categorized depreciation expenses by function		
Operating cost	\$ 603,430	\$ 599,399
Operating expenses	<u>11,278</u>	<u>11,492</u>
	<u>\$ 614,708</u>	<u>\$ 610,891</u>
Categorized amortization expenses by function		
Operating cost	\$ 75,687	\$ 102,160
Operating expenses	<u>2,419</u>	<u>1,099</u>
	<u>\$ 78,106</u>	<u>\$ 103,259</u>

## (f) Expenses for employee benefits

	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Salary expenses	\$ 537,882	\$ 114,105	\$ 651,987	\$ 594,078	\$ 113,507	\$ 707,585
Labor and health insurance expenses	57,964	11,160	69,124	62,582	11,460	74,042
Retirement benefits						
Defined contribution plan	17,675	4,948	22,623	18,612	5,124	23,736
Defined benefit plan (note 18)	<u>4,055</u>	<u>923</u>	<u>4,978</u>	<u>5,316</u>	<u>1,247</u>	<u>6,563</u>
	21,730	5,871	27,601	23,928	6,371	30,299
Compensation to directors	-	3,195	3,195	-	3,060	3,060
Other employee benefit	<u>57,744</u>	<u>8,640</u>	<u>66,384</u>	<u>64,498</u>	<u>9,399</u>	<u>73,897</u>
Total expenses of employee benefit	<u>\$ 675,320</u>	<u>\$ 142,971</u>	<u>\$ 818,291</u>	<u>\$ 745,086</u>	<u>\$ 143,797</u>	<u>\$ 888,883</u>

## (g) Employees' and Boards' remunerations

According to the provisions of the Company's policy articles, the Company uses the pre-tax benefits of the current year to deduct the remuneration of employees and directors at a rate of no less than 2% and no more than 5% for employees' compensation and directors' compensation.

In 2020 and 2019, pre-tax losses occurred, so employees' compensation and directors' compensation are not estimated.

For information on employees' compensation and directors' compensation of the Company's 2021 and 2020 board resolutions, please refer to the "Public Information Observatory" of the Taiwan Stock Exchange website.



22. Continuing operating business unit's income tax

(a) The main components of income tax benefits recognized in profit and loss:

	<u>2020</u>	<u>2019</u>
Current income tax expense		
Recognized in the current year	\$ 75	\$ -
Adjustments on prior years	<u>822</u>	<u>-</u>
	<u>897</u>	<u>-</u>
Deferred income tax		
Recognized in the current year	( 122,375 )	( 72,721 )
Adjustment on prior year	( <u>319</u> )	<u>-</u>
	( <u>122,694</u> )	( <u>72,721</u> )
Income tax benefits recognized in profit and loss	( <u>\$ 121,797</u> )	( <u>\$ 72,721</u> )

The adjustment of accounting income and current income tax benefits is as follows:

	<u>2020</u>	<u>2019</u>
Income tax benefits at the statutory tax rate for net loss before tax	( \$ 106,761 )	( \$ 64,418 )
Tax effect of adjusting items		
Investment (profit) loss recognized by the equity method	( 7,848 )	( 6,713 )
Financial asset evaluation benefits	105	( 1,169 )
Gain on disposal of investment	( 10 )	( 151 )
Tax-exempt dividend income	( 311 )	( 6,291 )
Realized investment losses	-	( 8,558 )
Tax-exempt subsidy income	( 16,434 )	-
Other	274	764
Non-deductible amount of tax-exempt dividend income loss	8,685	13,815
Adjustment on income tax expenses in prior year	<u>503</u>	<u>-</u>
Income tax benefits recognized in profit and loss	( <u>\$ 121,797</u> )	( <u>\$ 72,721</u> )

(b) Deferred income tax assets and liabilities

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<u>Deferred income tax assets</u>		
Temporary difference		
Allowance for loss of inventory depreciation	\$ 28,536	\$ 42,753
Unallocated inventory cost for manufacturing	10,289	8,583
Unrealized exchange difference	16,415	18,172
Unrealized loss of financial liabilities measured at FVTPL	-	5,419
Pension tax difference	8,626	11,893
Defined actuarial profit and loss of retirement plan	17,892	17,892
Sales discount preparation	4,074	4,331
Loss deduction	275,736	130,776
Bonus for no-leave	3,689	3,686
Unrealized gross loss	93	-
Other	541	541
	<u>\$ 365,891</u>	<u>\$ 244,046</u>
<u>Deferred income tax liability</u>		
Unrealized gross loss	\$ -	\$ 849
Land appreciation tax preparation	146,650	146,650
Deferred income tax liability	<u>\$ 146,650</u>	<u>\$ 147,499</u>

(c) Unlisted loss deduction information

As of Dec 31, 2020, the loss deduction information is as follows :

<u>Balance yet deducted</u>	<u>Year due</u>
\$ 655,469	2029
724,800	2030
<u>\$ 1,380,269</u>	

- (d) The Company's income tax declarations for commercial businesses, as well as the income tax declaration for businesses, from the past until (including) year 2018, have been approved by the inspection authority.

## 23. Loss per share

The Company's loss per share in 2020 and 2019 is as calculated as follows:

	<u>Amount ( numerator )</u>		<u>Share ( denominator ) ( thousand share )</u>	<u>Loss per share ( NTD )</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
<u>2020</u>					
Basic loss per share					
The net loss attributable to ordinary shareholders for the period	( <u>\$533,806</u> )	( <u>\$412,009</u> )	<u>862,390</u>	( <u>\$0.62</u> )	( <u>\$0.48</u> )
<u>2019</u>					
Basic loss per share					
The net loss attributable to ordinary shareholders for the period	( <u>\$322,087</u> )	( <u>\$249,366</u> )	<u>862,390</u>	( <u>\$0.37</u> )	( <u>\$0.29</u> )

If the Company chooses to pay employee compensation in stocks or cash, when calculating the diluted earnings per share, it is assumed that employee compensation will be paid in the form of stocks, and the weighted average number of shares outstanding as the diluted potential common stock is calculated as diluted earnings per share. When calculating the diluted earnings per share before deciding on the number of shares to be paid to employee compensation in the following year, the dilution of these potential ordinary shares will also be accounted.

## 24. Acquisition of subsidiary – gain ownership

	<u>Main operating activity</u>	<u>Acquisition date</u>	<u>With voting rights ownership interest/ Acquisition ratio ( % )</u>	<u>Transfer consideration</u>
Libolon Energy Co. Ltd.	Renewable energy powered equipment and cogeneration industry	Jul 1, 2020	55%	<u>\$ 550</u>

The acquisition of Libolon Energy Co., Ltd. is to expand the company's business of buying and selling renewable energy self-powered generation equipment. For the explanation of obtaining Libolon Energy Co., Ltd., please refer to Note 24 of the Company's 2020 Consolidated Financial Statements.

## 25. Equity transactions with non-controlling interests

In September 2020, the Company did not subscribe for the cash capital increase of Libolon Energy Co., Ltd. in proportion to its shareholding ratio, resulting in the shareholding ratio falling from 100% to 70%.

Since the above transaction did not change the controlling of the subsidiary by the Company, which was treated as an equity transaction. For the explanation of transactions

of Libolon Energy Co., Ltd., please refer to Note 24 of the Company's 2020 Consolidated Financial Statements.

## 26. Capital risk management

The Company conducts capital management to ensure that it can be withdrawn before continuing to operate, and maximizes shareholder compensation by optimizing the balance of debt and equity. The overall strategy of the Company has not changed.

The Company has no other restrictions on external capital regulations.

## 27. Financial instruments

### (a) Fair value Information — Financial instruments not measured at fair value

The management of the Company believes that the book value of financial assets and financial liabilities that are not measured at fair value reaches their fair value or their fair value cannot be reliably measured.

### (b) Fair value Information — Financial instruments measured at fair value on a repeatability basis

<u>Dec 31, 2020</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at FVTPL				
Financial assets				
Listed (OTC) stocks	\$ 55,979	\$ -	\$ -	\$ 55,979
Not listed (OTC) common stocks	-	-	11,395	11,395
Not listed abroad (OTC) common stocks	-	-	430	430
	<u>\$ 55,979</u>	<u>\$ -</u>	<u>\$ 11,825</u>	<u>\$ 67,804</u>
Financial assets measured at fair value through other comprehensive income				
Listed stocks	<u>\$ 947,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,010</u>
<u>Dec 31, 2019</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at FVTPL				
Listed (OTC) stocks	\$ 54,886	\$ -	\$ -	\$ 54,886
Not listed (OTC) common stocks	-	-	13,017	13,017
Not listed abroad (OTC) common stocks	-	-	430	430
	<u>\$ 54,886</u>	<u>\$ -</u>	<u>\$ 13,447</u>	<u>\$ 68,333</u>
Financial assets measured at fair value through other comprehensive income				
Listed stocks	<u>\$ 682,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,247</u>
Financial liabilities measured at FVTPL				
Exchange contract	<u>\$ -</u>	<u>\$ 27,094</u>	<u>\$ -</u>	<u>\$ 27,094</u>

No transfer of the fair value measurement between level 1 and level 2 in year 2019 and 2020.

- (c) Valuation techniques and assumptions used in level 2 fair value measurement :

Type of financial instruments	Evaluation technology and input value
Derived instrument— exchange contract	Discounted cash flow method: Estimate the future cash flow based on the exchange rate calculated in the observable exchange contract at the end of the period, and discount it separately at a rate that can reflect the credit risk of each counterparty.

- (d) Valuation techniques and assumptions used in level 3 fair value measurement :  
Non-publicly traded (OTC) equity investment adopts the asset method to reflect the overall value of the investment target based on the total value of individual assets and liabilities.

- (e) Types of financial instruments

	Dec 31, 2020	Dec 31, 2019
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 67,804	\$ 68,333
Financial assets measured by amortized cost (note 1)	3,981,045	4,817,888
Financial assets measured through other comprehensive income		
Equity instrument investment	947,010	682,247
<u>Financial liabilities</u>		
Held for trading measured at FVTPL	-	27,094
Financial liabilities measured by amortized cost (note 2)	6,933,162	7,328,008

Note 1 : The balance includes cash and cash equivalents, notes and accounts receivable and other financial assets measured at amortized cost.

Note 2 : The balance includes short-term loans, short-term bills payable, bills payable, accounts payable, other payables, advance loans to related parties, and financial liabilities derived from long-term loans measured at amortized cost.

- (f) Derivative financial products

1. The realized net profit from the operation of derivative financial products in 2020 was NT\$ 32,117 thousand, which was accounted for under other interests and losses.
2. In 2019, the operation of derivative financial products incurred an unrealized net loss of NT\$27,094 thousand and a realized net profit of NT\$91,295 thousand, which are accounted for under other profits and losses.

(g) Financial risk management objectives and policies

The main financial instruments of the Company include equity and debt investments, borrowings, lease liabilities, accounts receivable and accounts payable, etc. The financial management department of the Company provides services for various business units, coordinates access to domestic and international financial markets, and supervises and manages the financial risks related to the operations of the Company by analyzing internal risk reports based on the degree and breadth of risk. These risks include market risk (exchange rate risk), credit risk and liquidity risk.

The Company uses derivative financial instruments to avoid the impact of exchange rate risk. The use of derivative financial instruments is regulated by the policies adopted by the board of directors of the Company, which are written principles for exchange rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of remaining liquid funds. Internal auditors continue to review compliance with policies and the risk limit. The Company did not trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The main financial risk of the Company's operating activities that the company bears is the risk of foreign currency exchange rates.

Exchange rate risk: occur in future commercial transactions, recognized assets and liabilities, and foreign exchange trading transactions to avoid exchange rate changes.

The Company's risk exposure related to financial instrument market risks and its management and measurement methods have not changed.

Sensitivity analysis

The Company is mainly influenced by the USD exchange rate fluctuation.

The following table details the sensitivity analysis of the Company when the exchange rate of the New Taiwan Dollar (functional currency) to the U.S. dollar increases and decreases by 0.5%. 0.5% is the assessment of the reasonably possible range of changes in the foreign currency exchange rate of the Company. Sensitivity analysis includes only monetary items in foreign

currencies in circulation, and their conversion at the end of the period is adjusted with a 0.5% change in exchange rate. The positive numbers in the following table represent the amount of increase in net profit before tax when the New Taiwan Dollar depreciates 0.5% relative to the relevant currencies; when the New Taiwan Dollar appreciates 0.5% relative to the relevant currencies, its impact on the net profit before tax will be the same negative number of the amount.

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
0.5% difference in the exchange rate of USD profit and loss	\$ 8,575	\$ 19,420

## 2. Credit Risk

Credit risk refers to the risk of the company's financial losses caused by the counterparty's default of contract obligations. In order to reduce credit risk, the Company has the right to request for collateral or other guarantees from major transaction partners. Accordingly, the management of the Company believes that the credit risk has been significantly reduced.

## 3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support the company's operations and reduce the impact of cash flow fluctuations. The management of the Company supervises the use of bank financing lines and ensures compliance with the terms of the loan contract.

Bank loans are an important source of liquidity for the Company. As of December 31, 2020 and 2019, the unutilized short-term bank financing lines of the Company were NT\$12,440,721 thousand and NT\$13,498,227 thousand, respectively.

### (1) Liquidity and interest rate risk table of non-derivative financial liabilities

The remaining contract maturity analysis of non-derivative financial liabilities is based on the earliest possible repayment date of the Company and is compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank loans that the Company can be required to repay immediately are within the earliest period in the table below, regardless of the probability of the bank immediately executing the right; the maturity analysis of other non-derivative financial liabilities is compiled in accordance with the agreed repayment date. Analysis as below:

Dec 31, 2020

Non-derived financial liabilities	In 1 year	1 to 2 years	Over 2 years
Short-term loan	\$ 2,044,000	\$ -	\$ -
Short-term bonds payable	1,120,000	-	-
Notes payable ( including related parties )	63,470	-	-
Accounts payable ( including related parties )	845,498	-	-
Other payable	600,194	-	-
Loan payable to related parties	230,000	-	-
Lease liabilities ( current and non-current )	115	183	366
Liability preparation	20,372	-	-
Long-term loan ( including 1 year or due within the operating cycle )	155,000	1,500,000	375,000
Deposited security	705	-	-
	<u>\$ 5,079,354</u>	<u>\$ 1,500,183</u>	<u>\$ 375,366</u>

Dec 31, 2019

Non-derived financial liabilities	In 1 year	1 to 2 years	Over 2 years
Short-term loan	\$ 4,050,000	\$ -	\$ -
Short-term bonds payable	620,000	-	-
Notes payable ( including related parties )	77,165	-	-
Accounts payable ( including related parties )	473,325	-	-
Other payable	332,518	-	-
Loan payable to related parties	325,000	-	-
Lease liabilities ( current and non-current )	246	246	738
Liability preparation	21,653	-	-
Long-term loan ( including 1 year or due within the operating cycle )	350,000	1,000,000	100,000
Deposited security	505	-	-
	<u>\$ 6,250,412</u>	<u>\$ 1,000,246</u>	<u>\$ 100,738</u>

## (2) Liquidity of derived financial liabilities

For the liquidity analysis of derivative financial instruments, for derivative instruments that are settled on a net basis, it is compiled on the basis of undiscounted contract net cash inflows and outflows; for derivative instruments that are settled on a gross basis, it is compiled on the basis of undiscounted net cash inflows and outflows. It is prepared based on the current total cash inflows and outflows.

Dec 31, 2019

derivative financial liabilities	In 1 year	1 to 2 years	2 to 5 years	Over 5 years
Net delivery				
Exchange contract	<u>\$ 27,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## 28. Trading with Related Parties

Except for the other notes on the disclosures, the transactions between the Company and other related parties are as follows.

### (a) Related parties and association

Related parties	Association with the Company
LEALEA ENTERPRISE CO. LTD.	Investor with significant influence
LI MAO INVESTMENT CO. LTD.	Subsidiary
LI SHING INVESTMENT CO. LTD.	Subsidiary
HUNG HSING INVESTMENT CO. LTD.	Subsidiary
In Talent Investments Limited	Subsidiary
LIBOLON ENERGY CO. LTD.	Associated company originally, subsidiary since July 2020
ETON PETROCHEMICAL CO. LTD.	Subsidiary
LIBOLON (SHANGHAI) INTERNATIONAL TRADING CO., LTD.	Grand-daughter company
FU LI TRANSPORTATION CO.	Associated company
LEA JIE ENERGY CO. LTD.	Associated company
LIBOLON ENTERPRISE CO. LTD.	Associated company
RICH DEVELOPMENT CO. LTD.	Associated company
LI LING FILM CO. LTD.	Associated company
LEALEA TECHNOLOGY CO. LTD.	Associated company
LI ZAN INVESTMENT CO. LTD.	Associated company
LI HAO INVESTMENT CO. LTD.	Associated company
APEX FONG YI TECHNOLOGY CO. LTD.	Other
PT. INDONESIA LIBOLON FIBER SYSTEM	Other related party originally, associated company since May 2020
LIBOLON INTERNATIONAL CORP.	Other

### (b) Operating Income

Accounting item	Type of associate / name	2020	2019
Sales revenue	Investor with significant influence	\$ 574,043	\$ 528,482
	Subsidiary	1,864	6,976
	Grand-daughter company		
	LIBOLON ( Shanghai )	1,062,739	1,288,004
	Associated company	338,261	152,181
	Other	20,623	25,077
		<u>\$ 1,997,530</u>	<u>\$ 2,000,720</u>

There is no significant difference between the Company's sales to affiliated companies and general transactions with other related parties.

## (c) Procured goods

Type of associate	2020	2019
Investor with significant influence	\$ 486,090	\$ 647,337
Subsidiary	892	-
Associated company	15,223	-
Other	29,417	120,831
	<u>\$ 531,622</u>	<u>\$ 768,168</u>

## (d) Amounts receivable from related parties (excluding loans to related parties)

Accounting item	Type of associate/name	Dec 31, 2020	Dec 31, 2019
Note receivable	Associated company		
	LI LING FILM CO.	<u>\$ 52,264</u>	<u>\$ 13,641</u>
Account receivable	Investor with significant influence	89,732	25,811
	Subsidiary	472	-
	Grand-daughter company		
	LIBOLON ( Shanghai )	451,347	533,528
	Associated company	68,443	13,825
	Other	<u>1,609</u>	<u>9,198</u>
		<u>611,603</u>	<u>582,362</u>
Other receivable	Subsidiary		
	Eton Petrochemical	298,572	-
	Investor with significant influence	7,232	5,228
	Associated company	<u>1,886</u>	<u>1,466</u>
		<u>307,690</u>	<u>6,694</u>
		<u>\$ 971,557</u>	<u>\$ 602,697</u>

No guarantee is received for the accounts receivable from related parties. No allowance for losses is provided for accounts receivable from related parties in 2019 and 2020. The collection and payment deadlines for the Company and related parties, except that Libolon (Shanghai)'s payment term is 180 days, are not materially differentiated from those for general customers and manufacturers.

## (e) Accounts payable to related parties (excluding borrowings from related parties)

Accounting item	Type of associate/name	Dec 31, 2020	Dec 31, 2019
Notes payable	Investor with significant influence		
	LEALEA	\$ 6,579	\$ 15,630
	ENTERPRISE CO., LTD.		
	Associated company	<u>2,126</u>	<u>2,355</u>
		<u>8,705</u>	<u>17,985</u>

( continued in next page )

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Accounting item	Type of associate/name	Dec 31, 2020	Dec 31, 2019
Account payable	Investor with significant influence	\$ 53,739	\$ 41,153
	Subsidiary	306	-
	Associated company	2,406	3,089
	Other	-	7,174
		<u>56,451</u>	<u>51,416</u>
Payable for purchase of equipment	Investor with significant influence	315	-
	Associated company	-	798
		<u>\$ 65,471</u>	<u>\$ 70,199</u>

The balance of the outstanding accounts payable to related parties is not guaranteed.

(f) Disposal of property, plant and equipment.

Type of associate/name	Disposal price		Disposal profit (loss)	
	2020	2019	2020	2019
Associated company	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>

(g) Acquisition of property, plant and equipment

Type of associate/name	Acquisition price	
	2020	2019
Investor with significant influence	\$ 439	\$ -
Associated company	4,629	2,882
Other	-	61,326
	<u>\$ 5,068</u>	<u>\$ 64,208</u>

(h) Equity transaction  
2020

Type of associate/name	Accounting item	Shares traded	Trade to	Acquisition price
Investor with significant influence	Investment using equity method	55,000 shares	Libolon Energy Co. Ltd.	<u>\$ 550</u>

(i) Acquisition of other assets

Type of associate	Accounting item	Acquisition price	
		2020	2019
Associated company	Other intangible assets – computer software	<u>\$ 2,866</u>	<u>\$ 5,343</u>

(j) Advanced loan receivable from related parties

	Dec 31, 2020				
	Highest balance	Balance, end of year	Interest range( % )	Interest income	Interest receivable
Subsidiary					
In Talent Investments Limited	\$ 290,566	\$ 286,366	1.42565~1.47000	\$ 1,089	\$ 286
Eton Petrochemical	34,576	26,163	1.42565~1.47000	9	5
Associated company					
PT. INDONESIA LIBOLON FIBER SYSTEM	728,818	<u>284,800</u>	1.43044~3.19860	<u>4,538</u>	<u>356</u>
		<u>\$ 597,329</u>		<u>\$ 5,636</u>	<u>\$ 647</u>

(k) Loan from related party

	Dec 31, 2020				
	Highest balance	Balance, end of year	Interest range( % )	Interest income	Interest receivable
Subsidiary					
Li Mao Investment Co. Ltd.	\$ 80,000	\$ 57,000	0.82040~0.91554	\$ 476	\$ 40
Li Shing Investment Co. Ltd.	65,000	45,000	0.82040~0.91554	377	31
Hung Hsing Investment Co. Ltd.	60,000	43,000	0.82040~0.91554	358	30
Associated company					
Li Hao Investment Co. Ltd.	75,000	55,000	0.76715~0.90479	424	36
Li Zan Investment Co. Ltd.	45,000	<u>30,000</u>	0.76715~0.90479	<u>238</u>	<u>20</u>
		<u>\$ 230,000</u>		<u>\$ 1,873</u>	<u>\$ 157</u>

	Dec 31, 2019				
	Highest balance	Balance, end of year	Interest range( % )	Interest income	Interest receivable
Subsidiary					
Li Mao Investment Co. Ltd.	\$ 80,000	\$ 80,000	0.89919~0.98599	\$ 659	\$ 65
Li Shing Investment Co. Ltd.	65,000	65,000	0.89919~0.98599	497	53
Hung Hsing Investment Co. Ltd.	60,000	60,000	0.89919~0.98599	461	49
Associated company					
Li Hao Investment Co. Ltd.	75,000	75,000	0.89598~0.97842	628	59
Li Zan Investment Co. Ltd.	45,000	<u>45,000</u>	0.89598~0.97842	<u>368</u>	<u>36</u>
		<u>\$ 325,000</u>		<u>\$ 2,613</u>	<u>\$ 262</u>

The borrowing interest rate of the Company's loan from related parties is equivalent to the market interest rate. Loans from affiliates and other related parties are all credit loans.

(l)	Other		
	<u>Purchases-freight</u>	<u>2020</u>	<u>2019</u>
	Associated company	<u>\$ 28,261</u>	<u>\$ 38,637</u>
	<u>Operating expense – Export</u>	<u>2020</u>	<u>2019</u>
	Associated company	<u>\$ 22,549</u>	<u>\$ 29,959</u>
	<u>Rental income</u>	<u>2020</u>	<u>2019</u>
	Investor with significant influence		
	LEALEA ENTERPRISE CO., LTD.	\$ 6,694	\$ 6,726
	Subsidiary	155	-
	Associated company		
	LEALEA TECHNOLOGY CO., LTD.	4,106	3,952
	Associated company	1,080	1,195
	Other	10	10
		<u>\$ 12,045</u>	<u>\$ 11,883</u>

The rental income collected by the Company from related parties is based on the local general market rate, and the payment period is one-month promissory note.

	<u>Other income</u>	<u>2020</u>	<u>2019</u>
	Investor with significant influence		
	LEALEA ENTERPRISE CO., LTD.	\$ 18,989	\$ 20,231
	Subsidiary	2	-
	Associated company	3,691	1,706
	Other	56	96
		<u>\$ 22,738</u>	<u>\$ 22,033</u>
	<u>Lease expense</u>	<u>2020</u>	<u>2019</u>
	Investor with significant influence		
	LEALEA ENTERPRISE CO., LTD.	\$ 28,183	\$ 28,012
	Associated company		
	RICH DEVELOPMENT CO., LTD.	5,011	4,844
		<u>\$ 33,194</u>	<u>\$ 32,856</u>

The rent paid by the Company to related parties is based on the local general market rate, and the payment period is one-month promissory note.

	<u>Tech service fees</u>	<u>2020</u>	<u>2019</u>
	Associated company		
	LEALEA		
	TECHNOLOGY CO., LTD.	<u>\$ 24,610</u>	<u>\$ 24,409</u>

Manufacturing expense—steam	2020	2019
Investor with significant influence		
LEALEA ENTERPRISE CO., LTD.	<u>\$ 92,425</u>	<u>\$ 129,785</u>
Environmental maintenance expense	2020	2019
Investor with significant influence		
	<u>\$ 2,065</u>	<u>\$ 2,293</u>
Manufacturing expense—coal disposal	2020	2019
Associated company		
Lea Jie Energy Co. Ltd.	<u>\$ 914</u>	<u>\$ 914</u>
Fuel cost—coal	2020	2019
Associated company		
Lea Jie Energy Co. Ltd.	<u>\$ 104,570</u>	<u>\$ 135,106</u>

(m) Salary of senior management

The total remuneration for directors and other senior management is as follows :

	2020	2019
Short-term employee benefits	\$ 19,829	\$ 19,792
Retirement benefits	<u>296</u>	<u>199</u>
	<u>\$ 20,125</u>	<u>\$ 19,991</u>

The remuneration of directors and senior management is determined by the remuneration committee in accordance with individual performance and market trends.

(n) Other related parties' transactions

Type of associate	Item	Price of contracted but unfinished (untaxed) Dec 31, 2020	Prepaid equipment balance Dec 31, 2020
Associated company			
LEALEA TECHNOLOGY CO., LTD.	Software	<u>\$ 440</u>	<u>\$ -</u>
Type of associate	Item	Price of contracted but unfinished (untaxed) Dec 31, 2019	Prepaid equipment balance Dec 31, 2019
Associated company			
LEALEA TECHNOLOGY CO., LTD.	Software	<u>\$ 170</u>	<u>\$ -</u>

29. Pledged assets

The following assets of the Company have been provided as collateral for financial institutions.

	Dec 31, 2020	Dec 31, 2019
Pledged deposit receipt (recognized as other financial assets –current) (note 6)	\$ 2,000	\$ 2,000
Property, plant and equipment (note 12)	<u>3,978,909</u>	<u>4,298,101</u>
	<u>\$ 3,980,909</u>	<u>\$ 4,300,101</u>

30. Significant contingent liabilities and unrecognized commitments

Except as mentioned in other notes, the Company has the following major commitments and contingencies on the balance sheet date :

On December 31, 2019 and 2020, the Company still has issued and unused letters of credit. The details are as follows :

	Unit : foreign currency thousand Dec 31, 2020	Dec 31, 2019
USD	\$ 66,080	\$ 23,057
EUR	-	10
JPY	503,930	-
NTD	290,367	299,553

31. Other matters

The Company was affected by the global pandemic of the Covid -19, as business orders dropped, resulting in a significant drop in operating income. However, as the pandemic slows down and policies are loosened, the Company expects that operations will gradually return to normal. In response to the impact of the pandemic, the Company has taken the following actions:

(a) Adjust operational strategies

In addition to reducing planned production during the period of the Covid-19 spread, the Company has added fabric e-commerce in its operating strategy, strengthened domestic sales, foundry markets, and newly developed non-textile industry markets. It also added anti-bacterial and anti-virus functions in the clothes in response to epidemic prevention.

(b) Fund raising strategies

No major fund-raising activity has been implemented due to the impact of the Covid-19 pandemic.

(c) Government relief grants

The company has applied to the following government relief grants :

1. Subsidies on salary and operations received in NT\$82,170 thousand were recognized as other income.

2. Received a reduction of 30% on the water and electricity bills, a total of NT\$40,666 thousand from Jan 1<sup>st</sup> to Dec 31<sup>st</sup> 2020.
3. According to the "Severe Special Infectious Pneumonia Prevention Plan for Industrial Zones during the Epidemic Prevention Plan", company can apply for a 20% reduction in rent and a 50% reduction in public facility maintenance fees. The implementation period of the program is from January 15, 2020 to June 30, 2021.

The Company has incorporated the economic impact caused by the epidemic into major accounting estimates based on the information available on the balance sheet date and has no significant impact.

32. Significantly influencing foreign currency financial assets and liabilities information

The following information is summarized and expressed in foreign currencies other than the functional currencies of the Company. The disclosed exchange rates refer to the exchange rates of these foreign currencies into functional currencies. Foreign currency assets and liabilities with significant impact are as follows:

Foreign currency in yuan/NTD thousand			
	Foreign currency	Dec 31, 2020	Carrying amount
		Exchange rate	
<u>Financial assets</u>			
<u>Currency items</u>			
USD	\$ 97,994,497	28.48 (USD : NTD)	\$ 2,790,883
RMB	20,585,960	4.3770 (RMB : NTD)	90,105
<u>Non currency items</u>			
Financial assets measured at FVMTPL- non-current			
USD	96,149	28.48 (USD : NTD)	2,738
Investment using equity method			
RMB	68,265,018	4.3770 (RMB : NTD)	298,796
IDR	246,819,202,615	0.0020191 (IDR : NTD)	498,353

( continued in next page )



( continued from last page )

		Dec 31, 2020	
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD	\$ 37,773,605	28.48 ( USD : NTD )	\$ 1,075,792
RMB	355,788	4.3770 ( RMB : NTD )	1,557
		Dec 31, 2019	
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Currency items</u>			
USD	\$ 136,586,678	29.98 ( USD : NTD )	\$ 4,094,869
RMB	21,798,341	4.3050 ( RMB : NTD )	93,842
<u>Non currency items</u>			
<u>Financial assets</u>			
measured at			
FVMTPL-			
non-current			
USD	96,149	29.98 ( USD : NTD )	2,883
Investment using			
equity method			
RMB	65,430,099	4.3050 ( RMB : NTD )	281,677
IDR	7,048,573,893	0.0021567 ( IDR : NTD )	15,201
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD	7,035,836	29.98 ( USD : NTD )	210,934
<u>Non currency item</u>			
<u>Derived instrument</u>			
USD	148,000,000 ( Nominal principal )	29.98 ( USD : NTD )	27,094

The Company's unrealized foreign currency exchange losses in 2019 and 2020 were NT\$90,860 thousand and NT\$82,073 thousand, respectively. Due to the wide variety of currencies in foreign currency transactions, it is impossible to disclose the exchange gains and losses according to the foreign currencies that have major impacts.

33. Disclosed items in notes

1. Loan to others. (Attached table 1 )
  2. Endorsement for others. ( NA )
  3. Holding marketable securities at the end of the period (excluding investment in subsidiaries, affiliates and joint venture equity). (Attached table 2 )
  4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more than 20% of the paid-in capital. ( Attached table 3 )
  5. Acquired real estate with an amount of NT\$300 million or more than 20% of the paid-in capital. ( NA )
  6. Disposal of real estate with an amount of NT\$300 million or more than 20% of the paid-in capital. ( NA )
  7. The amount of purchase and sale of goods with related parties reaches NT\$100 million or more than 20% of the paid-in capital. ( Attached table 4 )
  8. Receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital. ( Attached table 5 )
  9. Engage in derivatives trading. ( note 27 )
  10. Invested company's information. ( Attached table 6 )
- (b) Reinvestment business related information : NA
- (c) Information on investments in China :
1. The name of the mainland investee company, main business items, paid-in capital, investment methods, capital remittances and exits, shareholding ratio, investment gains and losses, investment book amount at the end of the period, repatriated investment gains and losses, and limits for investments to mainland China. (Attached Table 7)
  2. The following major transactions, prices, payment terms, and unrealized gains and losses occurred directly or indirectly with the investee company in mainland China via the third region: (Attached Table 8)
    - (1) The amount and percentage of purchases and the ending balance and percentage of related accounts payable.
    - (2) The amount and percentage of sales and the ending balance and percentage of related accounts receivable.
    - (3) The amount of property transactions and the profits and losses generated.

- (4) The ending balance of the bill endorsement guaranteed or collateral provided and its purpose.
- (5) The maximum balance, ending balance, interest rate range and total interest of the current period of the financial intermediation.
- (6) Other transactions that have a significant impact on the current profit and loss or financial status, such as the provision or receipt of labor services.
- (d) Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% and more. (Attached table 9)

34. Segment Information

The company has disclosed segment information in the consolidated financial report, and this individual financial report does not disclose relevant information separately.

Li Peng Enterprise Co. Ltd.  
Reinvestment company loan to others  
Jan 1 to Dec 31, 2020

Attached Table 1

Unit : NTD thousand ; foreign currency in yuan

No. (Note1)	Financing Company	Loan and loanee	Financial Statement Account (note 2)	Related party	Maximum balance for the period (note 3)	Ending balance (note 8)	Amount actually drawn	Interest rate %	Nature for financing (note 4)	Transaction amounts (note 5)	Reason for short-term financing (note 6)	Allowance for bad debt	Collateral		Financing Limits for Each Borrowing Company (note 7)	Financing Company's Total Financing Amount Limits (note 7)	
													Item	Value			
0	Li Peng Enterprise Co., Ltd.	PT INDONESIA LIBOLON FIBER SYSTEM	Loam related parties	to	Yes	\$ 800,000	\$ 800,000	\$ 284,800	1.43044~ 3.1986	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 948,189	\$3,792,756
		Eton Petrochemical Co. Ltd.	Loam related parties	to	Yes	300,000	300,000	26,163	1.42565~ 1.47	2	-	Operating turnover	-	-	-	948,189	3,792,756
		In Talent Investments Limited	Loam related parties	to	Yes	800,000	800,000	286,366	1.42565~ 1.47	2	-	Operating turnover	-	-	-	948,189	3,792,756

Note 1 : Description of the number column: (1) Issuer fill in 0. (2) The invested company is numbered sequentially from Arabic numeral 1 according to the company type.

Note 2 : Accounts receivable from related parties, accounts receivable from related parties, shareholder transactions, advance payments, temporary payments... and other items in the account, if they are fund loans, the nature of which must be filled in this column.

Note 3 : The maximum balance of funds loaned to others in the current year.

Note 4 : The nature of the loan should be listed as (1) business contacts or (2) those that are for short-term financing.

Note 5 : If the nature of the loan is a business transaction, the business transaction amount should be entered. The amount of business transactions refers to the amount of business transactions between the company that lent the funds and the loanee in the most recent year.

Note 6 : If the nature of the loan is necessary for short-term financing, the reasons for the necessary loan and fund and the purpose of the loan and the target's fund should be specified, such as: repayment of borrowings, purchase of equipment, business turnover... etc.

Note 7 : Loan and limit for individual objects: 10% of the shareholders' equity of the Company; loan and total amount: 40% of the shareholders' equity of the Company. The Company did not exceed the limit when the original funds were used for the loan.

Note 8 : If a public listed company makes a loan to the board of directors on a case-by-case basis in accordance with Article 14 Clause 1 of the Guidelines for the Handling of Loans and Endorsements for Public Listed Companies, the amount of the board resolution should be included in the reported balance even though it has not yet allocated funds. In order to expose the risk it bears; after the fund is repaid, the balance after the repayment should be disclosed to reflect the risk adjustment. If the public listed company authorizes the chairman of the board to approve the loan in a specific amount and within a one-year period in accordance with paragraph 2 of Article 14 of the processing guidelines, the loan and the amount approved by the board of directors shall still be used as the balance to be declared. Although the funds will be repaid thereafter, it is still possible to allocate the loan again, so the loan and quota approved by the board of directors should still be used as the reported balance.

Li Peng Enterprise Co. Ltd.  
Holding securities at the end of the period  
Jan 1 to Dec 31, 2020

Attached Table 2

Unit : NTD thousand

Held Company Name	Marketable securities type and name ( note 1 )	Relationship with the company ( note 2 )	Financial statement account	End of the period				Note ( note 4 )
				Shares ( Units )	Carrying value ( note 3 )	% of ownership	Fair value	
Li Peng Enterprise Co. Ltd.	Share							
	Trade-Van Information Services Co., Ltd.	NA	Financial assets mandatorily measured at FVTPL — current	427,675	\$ 21,598	0.29	\$ 21,598	
	Asia Pacific Telecom Co., Ltd.	"	"	3,277,157	33,099	0.09	33,099	
	Information Technology Total Services Co. Ltd.	"	"	33,750	1,282	0.12	1,282	
	Lealea Enterprise Co., Ltd.	The chairman is same as the company, and the company holds 15.89% of the shares and is the legal director	Financial assets measured at FVTOCI — non-current	71,743,197	947,010	7.49	947,010	
	Taiwan Filament Weaving Development Co., Ltd.		Financial assets mandatorily measured at FVTPL — non-current	3,302,964	9,730	5.76	-	
	Huazhi Venture Capital Co., Ltd.		"	21,739	217	4.35	-	
	Juyou Technology Co., Ltd.		"	180,491	1,448	0.54	-	
	Techgains Pan-Pacific Corp.		"	150,000	430	0.26	-	
	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 the above items that fall within the scope of IFRS No. 9 "Financial Instruments".

Note 2 : If the securities issuer is not a related party, this column is not required to be filled up.

Note 3 : If measured by fair value, please fill in the book value after fair value evaluation adjustment and deducting allowance for the book value in column B; if it is not measured by fair value, please fill in the amortized cost in column B (after deducting the allowance for loss) carrying amount.

Note 4 : The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed-upon. The remarks column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and the usage restrictions.

Note 5 : For information about the equity of invested subsidiaries and affiliates, please refer to attached table 6.

Li Peng Enterprise Co. Ltd.

The cumulative amount of buying or selling the same securities reaches NT\$300 million or more than 20% of the paid-in capital

Jan 1 to Dec 31, 2020

Attached Table 3

Unit : thousand yuan

Buy /sell company	Securities Type and name ( note 1 )	Financial statement accounting	Trading partners ( note 2 )	Relationship ( note 2 )	Currency	Beginning of period		Buy ( note3 )		Sell ( note3 )				End of period (note 6 )	
						Shares	Amount	Shares	Amount	Shares	Value	Carrying amount	Disposition of P&L	Shares	Amount
Li Peng Enterprise Co., Ltd.	P T. INDONESIA LIBOLON FIBER SYSTEM	Investment using equity method	Unrelated party	Unrelated party	NTD	-	\$ -	5,730,000 ( note 5 )	\$ 757,965 USD 25,420 ( note 5 )	-	\$ -	\$ -	\$ -	5,730,000	\$ 752,312

Note 1 : The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

Note 2 : Investors who use the equity method for securities accounts must fill in these two columns, and the rest are not required.

Note 3 : The cumulative buy-in and sell-off amount should be calculated separately at fair value whether it reaches NT\$300 million or 20% of the paid-in capital.

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 shareholder of the parent company on the balance sheet.

Note 5 : The buy-in in this period includes participation in cash capital increase.

Note 6 : The amount at the end of the period includes the profit and loss recognized by the equity method and related adjusted items.

Li Peng Enterprise Co. Ltd.

The amount of purchases and sales with related parties reaches NT\$100 million or more than 20% of the paid-in capital

Jan 1 to Dec 31, 2020

Attached Table 4

Unit : NTD thousand

Buyer (Seller)	Related Party	Relationship	Transactions				Trading conditions and general trading circumstances and reasons (note 1)		Notes and accounts receivable (payable)		Note (note 2)
			Buy (sell) goods	Amount	% of total buy (sell)	Credit period	Unit Price	Credit period	Balance	% of total notes and accounts receivable (payable)	
Li Peng Enterprise Co., Ltd.	Lealea Enterprise Co., Ltd.	Chairman is same as the company	Buy	\$ 486,090	7	Invoice issued 30 days after shipment	Not applicable	Not applicable	Notes and accounts payable ( \$ 60,318 )	( 7 )	
"	"	"	Sell	( 574,043 )	( 6 )	"	"	"	Notes and accounts receivable 89,732	4	
"	Li Ling Film Co., Ltd.	"	Sell	( 319,172 )	( 3 )	Invoice issued 60 days after shipment	"	"	Notes and accounts receivable 112,332	6	
"	Libolon (Shanghai) International Trading Co., Ltd.	100% of the company's indirect shares are investee	Sell	( 1,062,739 )	( 10 )	T/T 180 days after shipment	"	"	Notes and accounts receivable 451,347	23	

Note 1: If the related party's transaction conditions are different from the general transaction conditions, the unit price and credit period column should state the difference and the reason.

Note 2: If there is an advance account receivable (payable), the reason, contractual terms, amount, and differences from the general transaction type should be stated in the remarks 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 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.



Li Peng Enterprise Co. Ltd.

Receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital

Jan 1 to Dec 31, 2020

Attached Table 5

Unit : NTD thousand

Account receivable company	Related Party	Relationship	Balance (note 1)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Disposition		
Li Peng Enterprise Co., Ltd.	Libolon (Shanghai) International Trading Co.,Ltd.	An investee company in which the company indirectly holds 100% of its shares	Accounts Receivable \$ 451,347	2.16 times	\$ -	—	\$ 61,682	\$ -
"	Eton Petrochemical Co.,Ltd.	An investee company in which the company directly holds 75% of its shares	Other Receivables 298,572	-	-	—	298,572	-
"	Li Ling Film Co., Ltd.	Chairman is same as the company	Accounts Receivable 112,332	4.57 times	-	—	33,286	-

Note 1: Please fill in separately according to the accounts receivable, bills, other receivables...and so on.

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 shareholder of the parent company on the balance sheet.

Li Peng Enterprise Co. Ltd.  
Names, Locations, And Related Information of Investees  
Jan 1 to Dec 31, 2020

Attached Table 6

Unit : NTD thousand

Investor company	Investee company (note 1 & 2)	Location	Main business and products	Original investment amount		Balance at the end of period			Net Income (Losses) of the Investee (note 4(2))	Share of Profits/Losses of Investee (note 4(3))	Note
				End of period	End of last year	Shares	Ratio %	Carrying amount			
Li Peng Enterprise Co., Ltd.	In Talent Investments Limited	Samoa	Reinvestment related business	\$ 65,893	\$ 65,893	2,000,000	100.00	\$ 298,896	\$ 12,138	\$ 12,388	
	Li Mao Investment Co., Ltd.	11th Floor, No.162 Songjiang Road, Taipei City	Reinvestment in various production businesses, securities investment, banks.	415,715	415,715	40,356,000	53.38	410,776	( 292 )	( 156 )	
	Hung Hsing Investment Co., Ltd.	"	"	401,449	401,449	26,296,000	53.02	310,106	( 331 )	( 176 )	
	Li Shing Investment Co., Ltd.	"	"	415,280	415,280	42,400,000	53.00	339,691	( 6,427 )	( 3,406 )	
	Li Hao Investment Co., Ltd.	"	"	363,629	363,629	35,244,000	46.62	396,375	( 5,359 )	( 2,498 )	
	Li Zan Investment Co., Ltd.	"	"	329,212	329,212	21,540,000	46.83	242,742	( 11,925 )	( 5,584 )	
	Lealea Technology Co., Ltd.	"	Technology software services	40,408	40,408	7,041,004	18.54	115,858	129,367	23,990	
	Li Ling Film Co., Ltd.	"	Nylon film production	20,000	20,000	2,000,000	3.33	15,469	( 217,559 )	( 7,252 )	
	Rich Development Co., Ltd.	8th Floor, No. 99, Jilin Road, Taipei City	Entrusted builders to build commercial buildings and lease and sell residential buildings	492,829	492,829	51,117,852	6.87	928,252	103,976	7,144	
	Fu Li Transport Co., Ltd.	No. 122, Zili Second Street, Wufi District, Taichung City	Automobile container freight industry, warehousing industry, automobile and parts manufacturing industry	28,000	28,000	2,800,000	20.00	36,357	11,637	2,327	
	Lea Jie Energy Co., Ltd.	4th Floor, No.162 Songjiang Road, Taipei City	Coal retail and wholesale	90,000	90,000	9,000,000	30.00	100,656	25,730	7,698	
	PT. LONG JOHN INNOVATION MATERIAL	JALAN UBRUG, Kel. Kembanguning, Kec. Jatiluhur, Kab. Purwakarta, Prop. JawaBarat	Knitted fabric, fabric improvement	-	15,200	-	-	-	-	-	Note 2
	Libolon Energy Co., Ltd.	No. 38, Gongye Road, Houliiao Village, Fangyuan Township, Changhua County	Renewable energy, self- powered generation equipment and cogeneration industry	21,000	-	2,100,000	70.00	18,826	( 3,105 )	( 2,661 )	Note 3
	Pt.Indonesia Libolon Fiber System	Lantai 1 Jl. Cideng Barat No. 15, RT.011/RW.001 Kel. Duri Pulo. Kec. Gambir. DKZ Jakarta	Weaving, dyeing, finishing, processing, manufacturing, and trading of man-made fibers	757,965	-	5,730,000	30.00	752,312	( 165,491 )	3,133	
	Eton Petrochemical Co.,Ltd.	4th Floor, No.162 Songjiang Road, Taipei City	Chemical raw material wholesale	9,000	-	900,000	75.00	13,293	5,725	4,293	

Note 1: If a public offering company has a foreign holding company and uses 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 relevant information to the holding company.

Note 2: Li Peng Enterprise Co., Ltd. disposed PT. LONG JOHN INNOVATION MATERIAL in March 2020 and recognized its investment losses.

Note 3: The investment loss recognized by Libolon Energy Co., Ltd. in this period includes the investment loss incurred when the control capability is acquired.

Note 4: If it is not in the situation described in Note 1, fill as in accordance to the following regulations:

- (1) The columns of "name of investee company", "location", "main business item", "original investment amount" and "end-of-term shareholding" shall be based on the reinvestment status of the company (public offering) and each direct investment or fill in the reinvestment status of the invested company indirectly controlled in order, and indicate the relationship between each invested company and the (public offering) company (if it is a subsidiary or a granddaughter company) in the remarks column.
- (2) In column B of "Invested Company's Current Profit and Loss", the amount of current profit and loss of each invested company should be filled in.
- (3) Column B of "Investment Profits and Losses Recognized in the Current Period" only needs to fill in the amount of profit and loss of each subsidiary recognized by the (public offering) company for direct reinvestment and each invested company evaluated by the equity method, and the rest is exempt fill. When filling in the "recognition of the current profit and loss amount of each subsidiary for direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary has included the investment profit and loss of its reinvestment that should be recognized in accordance with the regulations.

Note 5: Please refer to Attached Tables 7 and 8 for relevant information of China investee companies.

Li Peng Enterprise Co. Ltd.  
Information on investment in China  
Jan 1 to Dec 31, 2020

Attached Table 7

Unit : NTD thousand, original currency in yuan

Investee company in China	Main business	Paid-in capital	Investment method	Beginning of the period Cumulative investment amount remitted from Taiwan	Investment amount remitted or recovered in the current period		End of the period Remit from Taiwan accumulated investment amount	Invested company's current profit and loss	The company's direct or indirect investment % of shares held	Recognized in this period Investment profits and losses (note 2B)	Investment carrying amount at end of period	Investment income remitted back to Taiwan as of the current period	Note
					Outflow	Inflow							
Libolon (Shanghai) International Trading Co.,Ltd.	Weaving, dyeing, finishing, processing, manufacturing, and trading of man-made fibers	\$ 65,893 USD2,000,000	註 1 (2)	\$ 65,893 (USD2,000,000)	\$ -	\$ -	\$ 65,893 (USD2,000,000)	\$ 11,804	100	\$ 11,804	\$ 298,235	\$ -	

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper limit on investment
USD 2,000,000 NTD 65,893	USD 2,000,000 NTD 65,893	\$ 5,689,135

Note: 2020 annual average exchange rate RMB to NTD=1: 4.2817

Note 1: The investment methods are divided into the following three types, just indicate the types:

- (1) Go directly to the mainland for investment.
- (2) Reinvest in mainland China through a third-region company (please specify the investment company in the third region).
- (3) Other methods.

Note 2: In the current period recognized investment profit and loss column:

- (1) If it is under preparation and there is no investment gain or loss, it should be indicated.
- (2) The investment profit and loss recognition basis are divided into the following three types, which should be specified.
  - A. The financial statements that have been verified by international accounting firms in partnership with the Republic of China Accounting Firm.
  - B. The financial statements of the visa are checked by the Taiwanese parent company's visa accountant.
  - C. Others.

Note 3: The relevant figures in this table should be presented in New Taiwan Dollars.

Li Peng Enterprise Co. Ltd.

The following major transactions with mainland investee companies directly or indirectly via a third region, their prices, payment terms, unrealized profits and losses, and other relevant information

Jan 1 to Dec 31, 2020

Attached Table 8

Unit : except for specifically indicated,  
in NTD thousand

Investee company in China	Transaction	Purchase, sale ( Note )		Price	Terms		Notes, accounts receivable (payable)		Unrealized profit (loss)	Note
		Amount	%		Payment terms	Compare to normal trade	Amount	%		
Libolon (Shanghai) International Trading Co., Ltd.	Sale	( \$ 1,062,739 )	(10)	Set according to local market conditions, trading conditions are similar to general customers	180 days after shipment, the collection period will be extended depending on local conditions	Similar	Accounts Receivable \$ 451,347	23	\$ 151	

Note: In the case of property transactions or other types of transactions, the terms should be modified according to the circumstances.

Li Peng Enterprise Co. Ltd.  
Information of main shareholder  
Dec 31, 2020

Attached Table 9

Main Shareholders	Share	
	Shares held	Shares held
Lealea Enterprise Co., Ltd.	145,353,853	15.89
Li Hao Investment Co., Ltd.	49,213,968	5.38

Note 1: The main shareholder information is based on the last business day at the end of the quarter, calculated by the shareholders of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares) totaling more than 5% of data. The share capital recorded in the Company's financial report and the actual number of shares delivered without registration may be different due to various calculation bases.

Note 2: The information above is that shareholders deliver shares to the trust, it is disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc., please refer to the public information for information on insider's equity declaration observatory site.

**Li Peng Enterprise Co, LTD.**

Chairman: Kuo, Shao-Yi