

Fulin Plastic Industry (Cayman)  
Holding  
Co., Ltd. and Its Subsidiaries  
Consolidated Financial Statements  
and Independent Auditors' Report  
2021 and 2020

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For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

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## Independent Auditors' Report

To Fulin Plastic Industry (Cayman) Holding Co., Ltd.:

We have audited the consolidated balance sheets of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, as well as the notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the above consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries as of December 31, 2021 and 2020, 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 the auditing standards generally accepted in the Republic of China. Our responsibilities required under said standards will be detailed in the paragraph about the auditors' responsibilities for the audit of consolidated financial statements. We are independent of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other ethical responsibilities in accordance with the said Norm. 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, in our professional judgment, were the most significant matters in our audit of the consolidated financial statements of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries for the year ended December 31, 2021 are described as follows:

### **Authenticity of the Recognition of Sales Revenue from Specific Products**

As disclosed in Note 19 to the consolidated financial statements, the primary revenue of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries is from the sales of artificial leather and rubber fabric. As the difference between the unit price of certain products in this year and the average sales unit price of such products is significant, in accordance with the provisions that require income to be presumed as a significant risk by the auditing standards, the authenticity of sales revenue from such specific sales products shall be regarded as a key audit matter.

We have taken the following audit procedures for the specific issues set out in the aforementioned key audit matter, including:

1. To understand and test the effectiveness of internal controls over revenue recognition, including the effectiveness of internal controls of ordering and shipments, and to recognize operating income accordingly.
2. To conduct spot checks on whether the person to which products are sold and the amount of the operating revenue are consistent with the shipment order and invoice. To inspect whether the shipment invoice has been signed by the client or attached with export identification documents, such as export declarations.
3. To conduct spot checks and inspections on whether the receipt record and recipient are consistent with the person to which products are sold for accounts receivable from operating revenue.

## **Responsibilities of Management and Governing Bodies on 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 Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries' ability to continue as a going concern, disclosing related matters, and adopting the going concern basis of accounting, unless management either intends to liquidate Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries or cease operation, or has no other practicable solutions other than liquidation or cease of operation.

The governing bodies (including the Audit Committee) of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries are responsible for overseeing the financial reporting process.

#### **Auditors' Responsibilities for the Audit of Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatement may be due to fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could influence the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

As part of an audit in accordance with the GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We have also performed the following tasks:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform

appropriate countermeasures for the risks evaluated, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. As fraudulence can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false contents resulting from fraudulence is higher than that resulting from errors.

2. Obtain a necessary understanding of the 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 Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies adopted 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 determined whether there are events or circumstances that might cast significant uncertainty over Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries' ability to continue as a going concern. If we are of the opinion 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 eliminate the ability of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries to function as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information on entities within the group to express opinions on the consolidated financial statements. We are responsible for the guidance, supervision, and implementation of auditing and responsible for providing audit opinions for Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries.

We communicate with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during our audit.

We also provide the governing bodies with a statement that the staff required to be independent of the accounting firm under us 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, including related protection measures.

We have determined the key audit matters to be audited in the consolidated financial statements of Fulin Plastic Industry (Cayman) Holding Co., Ltd. and its subsidiaries for the year ended December 31, 2021 based on the matters communicated with the governing bodies. We have clearly described the said matters in the auditor's report except for certain matters that are prohibited from public disclosure by laws or regulations or certain matters we decided not to mention under some extremely rare circumstances because disclosure of such matters can be reasonably expected to result in adverse effects that would be greater than the public benefits gained.

Deloitte & Touche

CPA Wu, Chiu-Yen

CPA Chen, Chen-Li

Securities and Futures Bureau Approval

Document No.

Tai-Cai-Zheng-6 No. 0920123784

Financial Supervisory Commission Approval

Document No.

Jin-Guan-Zheng-Sheng-Zi No. 1010028123

March 16, 2022

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: NT\$ thousand

| Code | Assets                                                                               | December 31, 2021   |               | December 31, 2020   |               |
|------|--------------------------------------------------------------------------------------|---------------------|---------------|---------------------|---------------|
|      |                                                                                      | Amount              | %             | Amount              | %             |
|      | Current assets                                                                       |                     |               |                     |               |
| 1100 | Cash and cash equivalents (Notes 4 and 6)                                            | \$ 297,980          | 12            | \$ 200,984          | 9             |
| 1170 | Net accounts receivable (Notes 4 and 7)                                              | 455,195             | 19            | 425,284             | 20            |
| 1200 | Other receivables (Note 4)                                                           | 4,130               | -             | 4,346               | -             |
| 130X | Inventories (Notes 4, 5 and 8)                                                       | 804,703             | 34            | 542,602             | 26            |
| 1410 | Prepayments                                                                          | 14,270              | 1             | 28,958              | 1             |
| 1476 | Other financial assets - current (Note 9)                                            | 41,520              | 2             | 96,121              | 5             |
| 1479 | Other current assets                                                                 | <u>2,432</u>        | <u>-</u>      | <u>2,748</u>        | <u>-</u>      |
| 11XX | Total current assets                                                                 | <u>1,620,230</u>    | <u>68</u>     | <u>1,301,043</u>    | <u>61</u>     |
|      | Non-current assets                                                                   |                     |               |                     |               |
| 1600 | Property, plant and equipment (Notes 4, 11, 27, and 28)                              | 688,439             | 29            | 750,843             | 35            |
| 1755 | Right-of-use assets (Notes 4 and 12)                                                 | 31,440              | 1             | 34,154              | 2             |
| 1780 | Intangible assets (Note 4)                                                           | 1,699               | -             | 2,166               | -             |
| 1840 | Deferred tax assets (Notes 4 and 21)                                                 | 13,329              | 1             | 11,936              | 1             |
| 1915 | Advance payment for equipment                                                        | 1,901               | -             | 4,097               | -             |
| 1920 | Refundable deposits                                                                  | 1,032               | -             | 1,053               | -             |
| 1990 | Other non-current assets                                                             | <u>9,448</u>        | <u>1</u>      | <u>15,788</u>       | <u>1</u>      |
| 15XX | Total non-current assets                                                             | <u>747,288</u>      | <u>32</u>     | <u>820,037</u>      | <u>39</u>     |
| 1XXX | Total assets                                                                         | <u>\$ 2,367,518</u> | <u>100</u>    | <u>\$ 2,121,080</u> | <u>100</u>    |
|      | Liabilities and equity                                                               |                     |               |                     |               |
|      | Current liabilities                                                                  |                     |               |                     |               |
| 2100 | Short-term borrowings (Notes 13 and 26)                                              | \$ 540,683          | 23            | \$ 333,472          | 16            |
| 2120 | Financial liabilities at fair value through profit or loss- current (Notes 4 and 14) | 9,030               | 1             | -                   | -             |
| 2130 | Contract liabilities - current (Notes 4 and 19)                                      | 3,646               | -             | 9,926               | 1             |
| 2150 | Notes payable (Note 15)                                                              | 43,566              | 2             | 21,010              | 1             |
| 2170 | Accounts payable (Note 15)                                                           | 124,429             | 5             | 194,911             | 9             |
| 2219 | Other payables (Note 16)                                                             | 75,507              | 3             | 84,326              | 4             |
| 2230 | Income tax liabilities for the period (Notes 4 and 21)                               | 18,745              | 1             | 36,477              | 2             |
| 2280 | Lease liabilities - current (Notes 4 and 12)                                         | 1,623               | -             | 1,595               | -             |
| 2320 | Long-term borrowings due within one year (Notes 13, 26 and 27)                       | 46,962              | 2             | 81,401              | 4             |
| 2365 | Refunded liabilities - current (Note 4)                                              | 5,956               | -             | 8,639               | -             |
| 2399 | Other current liabilities                                                            | <u>5,998</u>        | <u>-</u>      | <u>604</u>          | <u>-</u>      |
| 21XX | Total current liabilities                                                            | <u>876,145</u>      | <u>37</u>     | <u>772,361</u>      | <u>37</u>     |
|      | Non-current liabilities                                                              |                     |               |                     |               |
| 2530 | Company liabilities payable (Notes 4 and 14)                                         | 151,331             | 6             | -                   | -             |
| 2540 | Long-term borrowings (Notes 13, 26, and 27)                                          | 31,266              | 1             | 95,231              | 4             |
| 2550 | Liabilities provision - non-current (Note 4)                                         | 18,363              | 1             | 17,282              | 1             |
| 2570 | Deferred income tax liabilities (Notes 4 and 21)                                     | 66                  | -             | 82                  | -             |
| 2580 | Lease liabilities - non-current (Notes 4 and 12)                                     | <u>17,589</u>       | <u>1</u>      | <u>19,503</u>       | <u>1</u>      |
| 25XX | Total non-current liabilities                                                        | <u>218,615</u>      | <u>9</u>      | <u>132,098</u>      | <u>6</u>      |
| 2XXX | Total liabilities                                                                    | <u>1,094,760</u>    | <u>46</u>     | <u>904,459</u>      | <u>43</u>     |
|      | Equity attributable to owners of the Company (Notes 4 and 18)                        |                     |               |                     |               |
| 3110 | Share capital - common stock                                                         | <u>504,000</u>      | <u>21</u>     | <u>494,000</u>      | <u>23</u>     |
| 3200 | Capital surplus                                                                      | <u>327,036</u>      | <u>14</u>     | <u>325,597</u>      | <u>15</u>     |
| 3300 | Retained earnings                                                                    |                     |               |                     |               |
| 3310 | Statutory surplus reserve                                                            | 91,383              | 4             | 60,295              | 3             |
| 3320 | Special surplus reserve                                                              | 319,205             | 14            | 248,433             | 12            |
| 3350 | Unappropriated earnings                                                              | <u>356,317</u>      | <u>15</u>     | <u>407,501</u>      | <u>19</u>     |
|      | Total retained earnings                                                              | <u>766,905</u>      | <u>33</u>     | <u>716,229</u>      | <u>34</u>     |
| 3410 | Translation differences in financial statements from overseas operations             | ( <u>325,183</u> )  | ( <u>14</u> ) | ( <u>319,205</u> )  | ( <u>15</u> ) |
| 3XXX | Total equity                                                                         | <u>1,272,758</u>    | <u>54</u>     | <u>1,216,621</u>    | <u>57</u>     |
|      | Total liabilities and equity                                                         | <u>\$ 2,367,518</u> | <u>100</u>    | <u>\$ 2,121,080</u> | <u>100</u>    |

The attached notes are part of the consolidated financial statements.

Chairman: Wang, Yuan-Lin

Manager: Huang, Cheng-Hung

Accounting Supervisor: Chiu, Wen-Hui

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to December 31, 2021 and 2020

(Unit: NT\$ thousand, NT\$ for earnings per share)

| Code |                                             | 2021              |           | 2020              |           |
|------|---------------------------------------------|-------------------|-----------|-------------------|-----------|
|      |                                             | Amount            | %         | Amount            | %         |
| 4000 | Net operating revenue (Notes 4 and 19)      | \$ 2,765,512      | 100       | \$ 2,664,416      | 100       |
| 5000 | Operating costs (Notes 4, 8 and 20)         | <u>2,180,658</u>  | <u>79</u> | <u>2,036,482</u>  | <u>76</u> |
| 5900 | Gross operating profit                      | <u>584,854</u>    | <u>21</u> | <u>627,934</u>    | <u>24</u> |
|      | Operating expenses (Notes 19 and 26)        |                   |           |                   |           |
| 6100 | Marketing expenses                          | 70,279            | 3         | 74,771            | 3         |
| 6200 | Administrative expenses                     | 144,425           | 5         | 145,106           | 5         |
| 6300 | Research and development expenses           | 13,919            | -         | 14,126            | 1         |
| 6450 | Expected credit impairment loss             | <u>1,758</u>      | <u>-</u>  | <u>367</u>        | <u>-</u>  |
| 6000 | Total operating expenses                    | <u>230,381</u>    | <u>8</u>  | <u>234,370</u>    | <u>9</u>  |
| 6900 | Net operating profit                        | <u>354,473</u>    | <u>13</u> | <u>393,564</u>    | <u>15</u> |
|      | Non-operating income and expenses (Note 20) |                   |           |                   |           |
| 7100 | Interest income                             | 7,439             | -         | 6,212             | -         |
| 7010 | Other income                                | 2,723             | -         | 7,447             | -         |
| 7020 | Other gains and losses                      | 22,884            | 1         | 4,455             | -         |
| 7050 | Finance costs                               | ( <u>10,568</u> ) | <u>-</u>  | ( <u>15,026</u> ) | <u>-</u>  |
| 7000 | Total non-operating income and expenses     | <u>22,478</u>     | <u>1</u>  | <u>3,088</u>      | <u>-</u>  |
| 7900 | Profit before tax                           | 376,951           | 14        | 396,652           | 15        |
| 7950 | Income tax expense (Notes 4 and 21)         | <u>79,275</u>     | <u>3</u>  | <u>85,771</u>     | <u>3</u>  |
| 8200 | Net profit for the year                     | <u>297,676</u>    | <u>11</u> | <u>310,881</u>    | <u>12</u> |

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| Code |                                                                                         | 2021              |           | 2020              |              |
|------|-----------------------------------------------------------------------------------------|-------------------|-----------|-------------------|--------------|
|      |                                                                                         | Amount            | %         | Amount            | %            |
|      | Other comprehensive income<br>(Note 18)                                                 |                   |           |                   |              |
| 8310 | Items that will not be<br>reclassified to profit or<br>loss                             |                   |           |                   |              |
| 8341 | Exchange difference<br>for the conversion<br>of presentation<br>currency                | (\$ 21,412)       | ( 1)      | (\$ 75,436)       | ( 3)         |
| 8360 | Items that may be<br>reclassified<br>subsequently to profit<br>or loss                  |                   |           |                   |              |
| 8361 | Translation<br>differences in<br>financial<br>statements from<br>overseas<br>operations | <u>15,434</u>     | <u>1</u>  | <u>4,664</u>      | <u>-</u>     |
| 8300 | Other net comprehensive<br>income                                                       | ( <u>5,978</u> )  | <u>-</u>  | ( <u>70,772</u> ) | ( <u>3</u> ) |
| 8500 | Total comprehensive income<br>for the year                                              | <u>\$ 291,698</u> | <u>11</u> | <u>\$ 240,109</u> | <u>9</u>     |
| 8600 | Net profit attributable to:                                                             |                   |           |                   |              |
| 8610 | Owners of the Company                                                                   | <u>\$ 297,676</u> | <u>11</u> | <u>\$ 310,881</u> | <u>12</u>    |
| 8700 | Total comprehensive income<br>attributable to:                                          |                   |           |                   |              |
| 8710 | Owners of the Company                                                                   | <u>\$ 291,698</u> | <u>11</u> | <u>\$ 240,109</u> | <u>9</u>     |
|      | Earnings per share (Note 22)                                                            |                   |           |                   |              |
| 9710 | Basic                                                                                   | <u>\$ 5.99</u>    |           | <u>\$ 6.29</u>    |              |
| 9810 | Diluted                                                                                 | <u>\$ 5.70</u>    |           | <u>\$ 6.27</u>    |              |

The attached notes are part of the consolidated financial statements.

Chairman: Wang, Yuan-Lin    Manager: Huang, Cheng-Hung    Accounting Supervisor: Chiu, Wen-Hui

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2021 and 2020

(Unit: NT\$ thousand, NT\$ for dividends per share)

| Code |                                                                                 | Share capital -<br>common stock | Capital surplus | Retained earnings                  |                                  |                                   | Other equity<br>items<br>Translation<br>differences<br>in financial<br>statements<br>from overseas<br>operations | Total equity |
|------|---------------------------------------------------------------------------------|---------------------------------|-----------------|------------------------------------|----------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------|--------------|
|      |                                                                                 |                                 |                 | Statutory surplus<br>r e s e r v e | Special surplus<br>r e s e r v e | Unappropriated<br>e a r n i n g s |                                                                                                                  |              |
| A1   | Balance as of January 1, 2020                                                   | \$ 494,000                      | \$ 424,397      | \$ 32,178                          | \$ 221,341                       | \$ 300,029                        | (\$ 248,433)                                                                                                     | \$1,223,512  |
|      | Appropriation of the 2019 earnings (Note 18)                                    |                                 |                 |                                    |                                  |                                   |                                                                                                                  |              |
| B1   | Statutory surplus reserve                                                       | -                               | -               | 28,117                             | -                                | ( 28,117)                         | -                                                                                                                | -            |
| B3   | Special surplus reserve                                                         | -                               | -               | -                                  | 27,092                           | ( 27,092)                         | -                                                                                                                | -            |
| B5   | Cash dividends - NT\$3 per share                                                | -                               | -               | -                                  | -                                | ( 148,200)                        | -                                                                                                                | ( 148,200)   |
|      |                                                                                 | -                               | -               | 28,117                             | 27,092                           | ( 203,409)                        | -                                                                                                                | ( 148,200)   |
| C15  | Distribution of cash dividends with capital reserve - NT\$2 per share (Note 18) | -                               | ( 98,800)       | -                                  | -                                | -                                 | -                                                                                                                | ( 98,800)    |
| D1   | Net profit in 2020                                                              | -                               | -               | -                                  | -                                | 310,881                           | -                                                                                                                | 310,881      |
| D3   | Other comprehensive income in 2020                                              | -                               | -               | -                                  | -                                | -                                 | ( 70,772)                                                                                                        | ( 70,772)    |
| D5   | Total comprehensive income in 2020                                              | -                               | -               | -                                  | -                                | 310,881                           | ( 70,772)                                                                                                        | 240,109      |
| Z1   | Balance as of December 31, 2020                                                 | 494,000                         | 325,597         | 60,295                             | 248,433                          | 407,501                           | ( 319,205)                                                                                                       | 1,216,621    |
|      | Appropriation of the 2020 earnings (Note 18)                                    |                                 |                 |                                    |                                  |                                   |                                                                                                                  |              |
| B1   | Statutory surplus reserve                                                       | -                               | -               | 31,088                             | -                                | ( 31,088)                         | -                                                                                                                | -            |
| B3   | Special surplus reserve                                                         | -                               | -               | -                                  | 70,772                           | ( 70,772)                         | -                                                                                                                | -            |
| B5   | Cash dividends - NT\$5 per share                                                | -                               | -               | -                                  | -                                | ( 247,000)                        | -                                                                                                                | ( 247,000)   |
|      |                                                                                 | -                               | -               | 31,088                             | 70,772                           | ( 348,860)                        | -                                                                                                                | ( 247,000)   |
| C15  | Distribution of cash dividends with capital reserve - NT\$1 per share (Note 18) | -                               | ( 49,400)       | -                                  | -                                | -                                 | -                                                                                                                | ( 49,400)    |
| D1   | Net profit in 2021                                                              | -                               | -               | -                                  | -                                | 297,676                           | -                                                                                                                | 297,676      |
| D3   | Other comprehensive income in 2021                                              | -                               | -               | -                                  | -                                | -                                 | ( 5,978)                                                                                                         | ( 5,978)     |
| D5   | Total comprehensive income in 2021                                              | -                               | -               | -                                  | -                                | 297,676                           | ( 5,978)                                                                                                         | 291,698      |
| E1   | Capital increase in cash (Note 18)                                              | 10,000                          | 49,038          | -                                  | -                                | -                                 | -                                                                                                                | 59,038       |
| N1   | Share-based payment transactions (Note 23)                                      | -                               | 1,801           | -                                  | -                                | -                                 | -                                                                                                                | 1,801        |
| Z1   | Balance as of December 31, 2021                                                 | \$ 504,000                      | \$ 327,036      | \$ 91,383                          | \$ 319,205                       | \$ 356,317                        | (\$ 325,183)                                                                                                     | \$1,272,758  |

The attached notes are part of the consolidated financial statements.

Chairman: Wang, Yuan-Lin

Manager: Huang, Cheng-Hung

Accounting Supervisor: Chiu, Wen-Hui

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries

Consolidated Statements of Cash Flows

January 1 to December 31, 2021 and 2020

Unit: NT\$ thousand

| <u>C o d e</u> |                                                                                   | <u>2021</u>       | <u>2020</u>       |
|----------------|-----------------------------------------------------------------------------------|-------------------|-------------------|
|                | Cash flows from operating activities                                              |                   |                   |
| A10000         | Profit before tax for the year                                                    | \$ 376,951        | \$ 396,652        |
| A20010         | Income and expense items                                                          |                   |                   |
| A20100         | Depreciation expenses                                                             | 82,392            | 88,823            |
| A20200         | Amortization expenses                                                             | 14,771            | 20,386            |
| A20300         | Expected credit impairment loss                                                   | 1,758             | 367               |
| A20400         | Net gain or loss on financial assets at fair value through profit or loss (FVTPL) | ( 8,865 )         | -                 |
| A20900         | Finance costs                                                                     | 10,568            | 15,026            |
| A21200         | Interest income                                                                   | ( 7,439 )         | ( 6,212 )         |
| A21900         | Employee share option compensation costs                                          | 1,801             | -                 |
| A22500         | Gain on disposal of property, plant and equipment                                 | -                 | ( 452 )           |
| A23700         | Loss on inventories                                                               | 9,091             | 8,365             |
| A29900         | Reversal of refund liabilities                                                    | ( 2,543 )         | ( 2,033 )         |
| A29900         | Provision for liabilities                                                         | 1,341             | 1,002             |
| A30000         | Net difference in operating assets and liabilities                                |                   |                   |
| A31150         | Accounts receivable                                                               | ( 38,418 )        | ( 48,478 )        |
| A31180         | Other receivables                                                                 | 168               | ( 1,680 )         |
| A31200         | Inventories                                                                       | ( 282,166 )       | 16,072            |
| A31230         | Prepayments                                                                       | 14,361            | ( 3,831 )         |
| A31240         | Other current assets                                                              | 111               | ( 589 )           |
| A32125         | Contract liabilities                                                              | ( 6,175 )         | 3,566             |
| A32130         | Notes payable                                                                     | 23,078            | 29                |
| A32150         | Accounts payable                                                                  | ( 68,202 )        | 31,651            |
| A32180         | Other payables                                                                    | ( 7,795 )         | 20,216            |
| A32230         | Other current liabilities                                                         | <u>5,476</u>      | <u>29</u>         |
| A33000         | Cash generated from operations                                                    | 120,264           | 538,909           |
| A33100         | Interest received                                                                 | 7,439             | 6,177             |
| A33300         | Interest paid                                                                     | ( 10,334 )        | ( 15,615 )        |
| A33500         | Income tax paid                                                                   | ( <u>98,247</u> ) | ( <u>69,680</u> ) |
| AAAA           | Net cash generated from operating activities                                      | <u>19,122</u>     | <u>459,791</u>    |
|                | Cash flows from investing activities                                              |                   |                   |
| B02700         | Purchase of property, plant and equipment                                         | ( 15,512 )        | ( 23,275 )        |
| B02800         | Disposal of property, plant and equipment                                         | -                 | 535               |

(Continued)

(Continued from previous page)

| <u>C o d e</u> |                                                              | <u>2021</u>      | <u>2020</u>        |
|----------------|--------------------------------------------------------------|------------------|--------------------|
| B04500         | Acquisition of intangible assets                             | (\$ 564)         | (\$ 2,471)         |
| B06500         | Increase (decrease) in other financial assets                | 53,673           | ( 83,135)          |
| B06700         | Increase in other non-current assets                         | ( 7,217)         | ( 10,868)          |
| BBBB           | Net cash used in investing activities (out)                  | <u>30,380</u>    | ( <u>119,214</u> ) |
|                | Cash flows from financing activities                         |                  |                    |
| C00100         | Increase in short-term borrowings                            | 214,188          | 71,317             |
| C01200         | Issuance of convertible bonds                                | 168,964          | -                  |
| C01700         | Repayment of long-term borrowings                            | ( 96,644)        | ( 97,840)          |
| C04020         | Repayment of the principal portion of lease liabilities      | ( 1,593)         | ( 1,621)           |
| C04500         | Distribution of cash dividends                               | ( 296,400)       | ( 247,000)         |
| C04600         | Capital increase in cash                                     | <u>59,038</u>    | <u>-</u>           |
| CCCC           | Net cash used in financing activities (out)                  | <u>47,553</u>    | ( <u>275,144</u> ) |
| DDDD           | Effect of exchange rate changes on cash and cash equivalents | ( <u>59</u> )    | ( <u>5,376</u> )   |
| EEEE           | Increases in cash and cash equivalents                       | 96,996           | 60,057             |
| E00100         | Cash and cash equivalents at the beginning of the year       | <u>200,984</u>   | <u>140,927</u>     |
| E00200         | Cash and cash equivalents at the end of the year             | <u>\$297,980</u> | <u>\$200,984</u>   |

The attached notes are part of the consolidated financial statements.

Chairman: Wang, Yuan-Lin      Manager: Huang, Cheng-Hung      Accounting Supervisor: Chiu, Wen-Hui

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries

Notes to Consolidated Financial Statements

January 1 to December 31, 2021 and 2020

(In NT\$ thousand, unless otherwise specified)

a. Company History

Fulin Plastic Industry (Cayman) Holding Co., Ltd. (hereinafter referred to as the “Company”) was incorporated in the Cayman Islands on November 30, 2016 amidst the reorganization of the organizational structure for applying for listing on the Taiwan Stock Exchange Corporation (TWSC). In February 2017, the Company set up the Taiwan Branch of Fulin Plastic Industry (Cayman) Holding Co., Ltd., primarily engaged in the international trading business.

On the grounds of the equity swap agreement, the organizational structure of the Company was reorganized on March 31, 2017. After such reorganization, the Company became a holding company of the Vietnam-based Fulin Plastic Industry Company.

The Company's stocks were officially listed in Taiwan Stock Exchange Corporation (TWSC) on December 24, 2018, in the stock code of 1341.

The functional currency of the Company is US\$. As the Company is listed in Taiwan, to increase the comparability and consistency of its financial statements, amounts in the consolidated financial statements are presented by translating from US\$ to NT\$.

b. Date and Procedures for Passing the Consolidated Financial Statements

The consolidated financial statements were published after being resolved at the Board meeting on March 16, 2022.

c. Applicability of Newly Issued and Revised Standards and Interpretations

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

The application of the IFRSs recognized and issued into effect by the FSC should not result in major changes in the accounting policies of the Company and the entities controlled by the Company (hereinafter referred to as the “Consolidated Company”):

b. The IFRSs recognized by the FSC and effective from 2022

| <u>New/revised/amended standards and interpretations</u>                            | <u>Effective date published by the IASB</u> |
|-------------------------------------------------------------------------------------|---------------------------------------------|
| Annual Improvements of IFRSs to 2018-2020                                           | January 1, 2022 (Note 1)                    |
| Amendments to IFRS 3 "Reference to the Conceptual Framework"                        | January 1, 2022 (Note 2)                    |
| Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use" | January 1, 2022 (Note 3)                    |
| Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"            | January 1, 2022 (Note 4)                    |

Note 1: Amendments to IFRS 9 are applicable to the exchange of financial liabilities or the modification of terms in annual reporting periods beginning January 1, 2022.

Note 2: The amendments are applicable to business combinations that have an acquisition date on or after the beginning of the annual reporting period which begins on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts of which all obligations have not been fulfilled as of January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Consolidated Company is continuously assessing the effects on its financial position and financial performance of amendments to other standards and interpretations.

c. The IFRSs published by the IASB but not yet recognized and issued into effect by the FSC

| <u>New/revised/amended standards and interpretations</u>                                                                 | <u>Effective date published by the IASB (Note 1)</u> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture" | To be determined                                     |
| IFRS17 "Insurance Contracts"                                                                                             | January 01, 2023                                     |
| Amendments to IFRS 17                                                                                                    | January 01, 2023                                     |
| Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparison Information"                               | January 01, 2023                                     |

| New/revised/amended standards and interpretations                                                              | Effective date           |
|----------------------------------------------------------------------------------------------------------------|--------------------------|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"                                  | January 01, 2023         |
| Amendments to IAS 1 "Disclosure of Accounting Policies"                                                        | January 1, 2023 (Note 2) |
| Amendments to IAS 8 "Definition of Accounting Estimates"                                                       | January 1, 2023 (Note 3) |
| Amendments to IAS 12 "Deferred Income Tax Relating to Assets and Liabilities Arising from Single Transactions" | January 1, 2023 (Note 4) |

Note 1: Unless otherwise specified, the aforementioned new/amended/revised standards and interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: The amendments are prospectively applicable for the annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are prospectively applicable to changes in accounting estimates and changes in accounting policies in the annual reporting periods beginning on or after January 1, 2023.

Note 4: The amendments are applicable to transactions occurring after January 1, 2022, except for the recognition of deferred income taxes on temporary differences for lease and ex-service obligations as of January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Consolidated Company is continuously assessing the effects on its financial position and financial performance of amendments to other standards and interpretations. Any relevant effect will be disclosed when the assessment is completed.

d. Summarized Remarks on Significant Accounting Policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs recognized and issued into effective by the FSC.

b. Basis of preparation

In addition to the financial instruments measured at fair value, the consolidated financial statements have been prepared based on historical costs.

Fair value measurements are categorized into Level 1 to Level 3 based on the degree to which the inputs are observable and the significance of the inputs:

- 1) Level 1 input: Refers to the quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- 2) Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
- 3) Level 3 inputs: Unobservable inputs for the assets or liabilities.

c. Classification standard of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the balance sheet date; and
- 3) Cash and cash equivalents (excluding assets restricted to be utilized for the exchange or settlement of liabilities for at least 12 months after the balance sheet date).

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities to be settled within 12 months after the balance sheet date (long-term refinancing or rearrangement of payment agreement completed after the publication date of the balance sheets and before the publication of the financial statements are deemed as current liabilities); and
- 3) Liabilities with a repayment deadline that cannot be unconditionally deferred until at least 12 months after the balance sheet date. However, terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments, do not affect its classification.

Current assets or current liabilities that are not specified above are classified as non-current assets or non-current liabilities.

d. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities owned by the Company (subsidiaries). The financial statements of subsidiaries have been reorganized to bring uniformity between their accounting policies and those of the Consolidated Company. In preparation of the consolidated financial statements, all transactions, account balances, income and expenses between the entities have been written off.

For details, shareholding ratio and business items of subsidiaries, please refer to Note 10 and Annex V.

e. Foreign currency

In preparing each individual financial statement, transactions denominated in a currency other than the entity's functional currency (i.e., foreign currency) are converted into the entity's functional currency using the exchange rate on the date of transaction.

Monetary items denominated in foreign currencies are translated at the closing exchange rates on each balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at a historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In preparing the consolidated financial statements, assets and liabilities of a foreign operation are translated into NT\$ by using the exchange rates on each balance sheet date. Income and expenses are translated at the average exchange rate of the period. The resulting exchange differences are recognized in other comprehensive income. Exchange differences arising from the translation of functional currency to the presentation currency is not subsequently classified to profit or loss.

f. Inventories

Inventory comprises raw materials, processing products, finished products, and components. The value of inventory shall be determined based on the cost and net realizable value (NRV), whichever is lower. With the exception of

inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost and marketing expenses of completion. The cost of inventory is calculated using the weighted-average method.

g. Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently measured by cost less accumulated depreciation and accumulated impairment loss.

Investment property under construction is recognized at cost less accumulated impairment loss. Cost includes professional service fees and borrowing costs eligible for capitalization. Such assets shall be classified into the appropriate property, plant and equipment categories upon completion and reaching the expected use status and the depreciation shall begin.

Property, plant and equipment are depreciated separately for each major part on a straight-line basis over the service life. The Consolidated Company has to review the estimated useful life, residual value, and depreciation methods at the end of each year at least annually, and deduce the effect of the changes in accounting estimates.

When property, plant and equipment are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

h. Intangible assets

The intangible assets (computer software) with limited useful life acquired separately are measured at cost, and subsequently at cost less accumulated amortization. Intangible assets will be amortized using the straight-line method within the useful life. The Consolidated Company reviews the estimated useful life, residual value, and depreciation methods at the end of each year at least once a year to deduce the effect of the changes in accounting estimates.

When intangible assets are derecognized, the difference between net disposal proceeds and the carrying value of the assets is recognized in profit and loss of the year.

i. Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Consolidated Company assesses whether there is an indication that the property, plant and equipment, right-of-use assets, and intangible assets may be impaired on each balance sheet date. If there is an indication of impairment, the recoverable amount of the assets shall be estimated. If it is not possible to determine the recoverable amount for an individual asset, the Consolidated Company estimates the recoverable amount of the CPUs to which asset belongs.

The recoverable amount is the fair value minus cost of sales or the value in use, whichever is higher. If the recoverable amount of individual asset or CPU is lower than its carrying amount, the carrying amount of the asset or the CPU shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or CPU shall be increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) of the asset or CPU that were not recognized in the impairment loss in the previous years. Reversal of impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheets when the Consolidated Company becomes a party of the financial instrument contract.

Upon initial recognition of financial assets and financial liabilities, if they are not measured at fair value through profit or loss, it is measured at value plus the transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss shall be immediately recognized in profit or loss.

1) Financial assets

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

a) Measurement types

The financial assets held by the Consolidated Company are financial assets at amortized cost.

Investments in financial assets of the Consolidated Company that satisfy the following two conditions are classified as financial assets at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost, other receivables and refundable deposits), are measured at the gross carrying amount determined by the effective interest method less the amortized loss of any impairment loss, while all currency exchange gains or losses are recognized in profit or loss. Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets.

Cash equivalents include fixed deposits with high liquidity and low risk of price changes that are convertible to cash any time within 3 months of acquisition. They are used for meeting short-term cash commitments.

#### b) Impairment of financial assets

The Consolidated Company measures the impairment loss of financial assets (including accounts receivable) measured at amortized cost on each balance sheet date at expected credit loss.

Loss allowances are recognized for accounts receivable at expected credit losses over the duration. Other financial assets are first evaluated to see whether the credit risk increases significantly after the initial recognition. If not, loss allowances are recognized based on 12-month expected credit losses. If it has increased significantly, loss allowances are recognized based on expected credit losses over the duration.

Expected credit loss is weighted-average credit loss based on the risk of default. The 12-month expected credit loss represents the expected credit loss that results from those possible default events on the financial instrument within 12 months after the reporting date, whereas the lifetime expected credit loss represents the expected credit loss that results from all possible default events over the life of the financial instrument.

For the purpose of internal credit risk management, provided that the collaterals held by the Consolidated Company are not taken into account, the following circumstances are determined to represent the default of financial assets:

- i. Internal or external information indicates that the debtor is unable to repay the debt.
- ii. Overdue for more than 90 days, unless there is reasonable evidence showing that the delayed default is more appropriate.

The impairment loss of all financial assets is reduced based on the allowance account.

#### c) Derecognition of financial assets

The Consolidated Company derecognizes financial assets only when the contractual rights to the cash flow of the financial asset expire or when the financial assets have been transferred with substantially all the risks and rewards of ownership transferred to other enterprises.

On derecognition of an entire financial asset measured at amortized cost, the difference between the carrying amount and the consideration received is recognized in profit or loss.

#### 2) Equity instruments

Liability and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity based on the contents of the contractual agreements and the definitions of financial liability and equity instruments.

Equity instruments issued by the Consolidated Company are recognized based on the price obtained less direct issuance costs.

#### 3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost by the effective interest method.

b) Derecognition of financial liabilities

On derecognition of financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

4) Convertible bonds

The components of convertible bonds issued by the Consolidated Company that contain conversion rights are not converted by exchanging a fixed amount of cash or other financial assets for a fixed number of the Consolidated Company's own equity instruments to be delivered, and are therefore classified as derivative financial liabilities.

On initial recognition, the derivative portion of convertible bonds is measured at fair value, and the original carrying amount of the non-derivative portion of financial liabilities is the balance after separation of embedded derivatives. In subsequent periods, non-derivative financial liabilities are measured at amortized cost using the effective interest method and derivative financial liabilities are measured at fair value, with changes in fair value recognized in profit or loss.

Transaction costs associated with the issuance of convertible bonds are allocated to the non-derivative financial liability portion of the instrument (included in the carrying amount of the liability) and the derivative financial liability portion (included in profit or loss) in proportion to their relative fair values.

k. Liability reserve

The amount recognized as liability reserve is the best estimate of the expenditure required to fulfill the settlement obligation at the balance sheet date, taking into account the risks and uncertainties of the obligation. Liability reserve

is measured at the discounted value of the estimated cash flows of the settlement obligation.

#### l. Revenue recognition

After the Consolidate Company has identified the performance obligation in the client contract, the transaction price shall be distributed to each performance obligation and recognizes the revenue when the performance obligations are fulfilled.

The revenue from the sales of goods is derived from the sales of artificial leather and tapes. According to the contract, when the artificial leather is delivered to the customers, the customers have the right to set the price and use of the product. They are responsible for re-selling and bear the risk of product depreciation.

The Consolidated Company recognizes revenue and accounts receivable at that point in time. Prepayments received from the sales of goods are recognized as contract liabilities.

#### m. Leases

The Consolidated Company assesses whether a contract is a lease on the date of entering into a contract.

When the Consolidated Company is the lessee, except for lease payment for leases of low-value underlying assets and short-term leases where recognition exemptions are applicable that are recognized in expenses on a straight-line basis over the leasing period, other leases recognize the right-of-use assets and lease liabilities on the inception of the lease.

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Right-of-use assets are recognized separately in the consolidated balance sheets.

Right-of-use assets are depreciated on a straight-line basis during the leasing period.

Lease liabilities are initially measured at the present value of lease payments. If the implicit interest rate of the lease can be easily determined, the lease payment is discounted using such interest rate. If the interest rates cannot easily be determined, the lease payment is discounted using the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured on the amortized cost basis using the effective interest method, and interest expenses are apportioned over the lease term. If changes in future lease payments are caused by changes in the index during the lease period or the index used to determine the lease payment, the Consolidated Company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are recognized separately in the consolidated balance sheets.

n. Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction, or production of borrowing cost of assets meeting the requirement of significant documents, which is part of the asset cost before the asset almost completes all necessary activities for scheduled use or sales condition.

Special loans, such as investment income from temporary investments prior to capitalization, are deducted from the cost of loans eligible for capitalization.

Except for the above, all other borrowing costs are recognized in profit and loss in the year they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities related to the short-term employee benefits are measured by non-discounted amounts expected to be paid in exchange for staff services.

2) Benefits after retirement

Pensions under the defined contribution retirement plan are pensions contributable over the period for which employees render their services, and are recognized in expense for the period.

p. Share base payment agreement

Employee stock options granted to employees are recognized as an expense on a straight-line basis over the vesting period based on the fair value of the equity instruments at the date of grant and the best estimate of the number of equity instruments expected to be vested, with a simultaneous adjustment to capital surplus - employee stock options. If it is immediately vested on the date of

grant, the full cost is recognized on the date of grant.

q. Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1) Current income tax

Current income tax payable is based on current taxable income. A portion of the income and expense is taxable or deductible in other periods, or is not taxable or deductible under the relevant tax laws. Therefore, the taxable income differs from the net income reported in the consolidated statements of comprehensive income. The Consolidated Company's current income tax liabilities are based on tax rates that have been enacted or substantively enacted as of the balance sheet date.

Adjustments to income taxes payable in prior years are included in current income taxes.

2) Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities in the consolidated financial statements and the taxable basis of the calculation of taxable income. Deferred tax liabilities are generally recognized for all temporary differences in taxable income, while deferred tax assets are recognized when they are likely to be taxable for utilization.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The carrying amount is decreased for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Assets that are not originally recognized as deferred income tax assets are reviewed at each balance sheet date. The carrying amount is increased for assets that are likely to generate sufficient taxable income to recover all or part of the assets.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted as of the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the rental tax consequences due to the method in which the Consolidated Company

expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

3) Current and deferred income tax of the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

e. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When the Consolidated Company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The Consolidated Company takes into consideration the economic impact of the COVID-19 pandemic in its significant accounting estimates. Management will continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the current period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

Inventory impairment

The net realizable value of inventories is estimated as the estimated selling price in the ordinary course of business minus estimated costs to completion and estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may significantly affect these estimates.

f. Cash and Cash Equivalents

|                                                            | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|------------------------------------------------------------|--------------------------|--------------------------|
| Cash on hand and working funds                             | \$ 606                   | \$ 527                   |
| Checks and demand deposits in banks                        | 140,240                  | 79,392                   |
| Cash equivalents                                           |                          |                          |
| Bank fixed deposits with original maturity within 3 months | <u>157,134</u>           | <u>121,065</u>           |
|                                                            | <u>\$297,980</u>         | <u>\$200,984</u>         |

g. Accounts Receivables

|                                           | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------------------------|--------------------------|--------------------------|
| <u>Measured at amortized cost</u>         |                          |                          |
| Accounts receivable - non-related parties |                          |                          |
| Total carrying amount                     | \$459,657                | \$427,995                |
| Less: Allowance for loss                  | <u>4,462</u>             | <u>2,711</u>             |
|                                           | <u>\$455,195</u>         | <u>\$425,284</u>         |

The average credit period for the Consolidated Company's merchandise sales is 30 to 90 days. To lower credit risk, the Consolidated Company has appointed a specific personnel to handle decisions on credit limits, credit approval, and other monitoring procedures to ensure that appropriate actions are taken to recover overdue accounts receivable. In addition, the Consolidated Company reviews the recoverable amount of each receivables on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As such, the Consolidated Company's management concludes that the credit risk of the Consolidated Company has been significantly reduced.

The Consolidated Company recognizes loss allowance for accounts receivable based on the lifetime expected credit loss. Lifetime expected credit loss is calculated taking into account the customer's past default records, its current financial conditions, and industry and economic trends. As the Consolidated Company's historical experience of credit loss indicates no significant difference in the loss patterns between the different customer groups, the provision matrix does not classify customers into different groups but determines the expected credit loss rate solely based on the age of accounts receivable.

The Consolidated Company's loss allowance for accounts receivable is as follows:

December 31, 2021

|                                                | <u>1 - 60 Days</u> | <u>61 - 90 Days</u> | <u>91 - 180 Days</u> | <u>181 - 365 Days</u> | <u>More than 365 Days</u> | <u>T o t a l</u>  |
|------------------------------------------------|--------------------|---------------------|----------------------|-----------------------|---------------------------|-------------------|
| Expected credit loss rate (%)                  | 0.5                | 0.5                 | 3                    | 30                    | 100                       |                   |
| Total carrying amount                          | \$ 387,228         | \$ 50,997           | \$ 17,036            | \$ 3,766              | \$ 630                    | \$ 459,657        |
| Loss allowance (lifetime expected credit loss) | ( <u>1,936</u> )   | ( <u>255</u> )      | ( <u>511</u> )       | ( <u>1,130</u> )      | ( <u>630</u> )            | ( <u>4,462</u> )  |
| Amortized cost                                 | <u>\$ 385,292</u>  | <u>\$ 50,742</u>    | <u>\$ 16,525</u>     | <u>\$ 2,636</u>       | <u>\$ -</u>               | <u>\$ 455,195</u> |

December 31, 2020

|                                                | <u>1 - 60 Days</u> | <u>61 - 90 Days</u> | <u>91 - 180 Days</u> | <u>181 - 365 Days</u> | <u>More than 365 Days</u> | <u>T o t a l</u>  |
|------------------------------------------------|--------------------|---------------------|----------------------|-----------------------|---------------------------|-------------------|
| Expected credit loss rate (%)                  | 0.5                | 0.5                 | 3                    | 30                    | 100                       |                   |
| Total carrying amount                          | \$ 416,438         | \$ 7,451            | \$ 3,364             | \$ 368                | \$ 374                    | \$ 427,995        |
| Loss allowance (lifetime expected credit loss) | ( <u>2,089</u> )   | ( <u>37</u> )       | ( <u>101</u> )       | ( <u>110</u> )        | ( <u>374</u> )            | ( <u>2,711</u> )  |
| Amortized cost                                 | <u>\$ 414,349</u>  | <u>\$ 7,414</u>     | <u>\$ 3,263</u>      | <u>\$ 258</u>         | <u>\$ -</u>               | <u>\$ 425,284</u> |

Information on changes in allowance for accounts receivable is as follows:

|                                          | 2021            | 2020            |
|------------------------------------------|-----------------|-----------------|
| Opening balance                          | \$ 2,711        | \$ 2,519        |
| Provision for the year                   | 1,758           | 367             |
| Foreign currency translation differences | ( 7 )           | ( 175 )         |
| Closing balance                          | <u>\$ 4,462</u> | <u>\$ 2,711</u> |

#### h. Inventories

|                      | December 31, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|
| Finished goods       | \$ 87,801         | \$ 47,180         |
| Processing products  | 76,187            | 47,292            |
| Raw materials        | 527,508           | 335,629           |
| Components           | 37,051            | 38,644            |
| In-transit inventory | <u>76,156</u>     | <u>73,857</u>     |
|                      | <u>\$804,703</u>  | <u>\$542,602</u>  |

As of December 31, 2021 and 2020, loss on inventory write-down recognized as deductions from the costs in each inventory category above was NT\$28,215 thousand and NT\$19,158 thousand, respectively.

In 2021 and 2020, cost of sales related to inventories was NT\$2,180,658 thousand and NT\$2,036,482 thousand, respectively, including:

|                                 | 2021             | 2020             |
|---------------------------------|------------------|------------------|
| Spare capacity cost             | \$ 38,212        | \$ 41,612        |
| Loss on inventory valuation     | 9,091            | 7,140            |
| Loss on disposal of inventories | <u>-</u>         | <u>1,225</u>     |
|                                 | <u>\$ 47,303</u> | <u>\$ 49,977</u> |

#### i. Other Financial Assets

|                                                                 | December 31, 2021 | December 31, 2020 |
|-----------------------------------------------------------------|-------------------|-------------------|
| Bank fixed deposit with original maturity date of over 3 months | <u>\$ 41,520</u>  | <u>\$ 96,121</u>  |
| Interest rate range (%)                                         | 0.2               | 3.10~3.30         |

#### j. Subsidiaries

The entities in the preparation of the consolidated financial statements are as follows:

| Name of investment company | Names of subsidiary and actual operating entity | Shareholding (%) |                  | Description |
|----------------------------|-------------------------------------------------|------------------|------------------|-------------|
|                            |                                                 | December 31 2021 | December 31 2020 |             |
| The Company                | Fulin Plastic Industry Company (Fulin Plastic)  | 100              | 100              | Note        |

Note: Established in Vietnam in 1997, Fulin Plastic is mainly engaged in the production and sale of latex leathers, tapes, and soft leather. The Company completed its organizational restructuring at the end of March 2017, and held 100% shares in Fulin Plastic after the organizational restructuring.

#### k. Property, Plant and Equipment

##### 2021

|                                 | Buildings         | Machinery and equipment | Transportation equipment | Office equipment | Other equipment  | Construction in progress | Total               |
|---------------------------------|-------------------|-------------------------|--------------------------|------------------|------------------|--------------------------|---------------------|
| <u>Cost</u>                     |                   |                         |                          |                  |                  |                          |                     |
| Balance as of January 01, 2021  | \$ 320,771        | \$ 1,245,849            | \$ 23,360                | \$ 7,355         | \$ 33,042        | \$ 3,893                 | \$ 1,634,270        |
| Additions                       | 4,301             | 10,895                  | 1,921                    | 129              | 3,755            | ( 3,170)                 | 17,831              |
| Net exchange differences        | ( 353)            | ( 1,172)                | ( 31)                    | ( 8)             | ( 45)            | 13                       | ( 1,596)            |
| Balance as of December 31, 2021 | <u>\$ 324,719</u> | <u>\$ 1,255,572</u>     | <u>\$ 25,250</u>         | <u>\$ 7,476</u>  | <u>\$ 36,752</u> | <u>\$ 736</u>            | <u>\$ 1,650,505</u> |
| <u>Accumulated depreciation</u> |                   |                         |                          |                  |                  |                          |                     |
| Balance as of January 01, 2021  | \$ 129,836        | \$ 722,218              | \$ 15,596                | \$ 5,495         | \$ 10,282        | \$ -                     | \$ 883,427          |
| Depreciation expenses           | 14,488            | 58,786                  | 2,337                    | 985              | 3,114            | -                        | 79,710              |
| Net exchange differences        | ( 169)            | ( 856)                  | ( 20)                    | ( 8)             | ( 18)            | -                        | ( 1,071)            |
| Balance as of December 31, 2021 | <u>\$ 144,155</u> | <u>\$ 780,148</u>       | <u>\$ 17,913</u>         | <u>\$ 6,472</u>  | <u>\$ 13,378</u> | <u>\$ -</u>              | <u>\$ 962,066</u>   |
| Balance as of December 31, 2021 | <u>\$ 180,564</u> | <u>\$ 475,424</u>       | <u>\$ 7,337</u>          | <u>\$ 1,004</u>  | <u>\$ 23,374</u> | <u>\$ 736</u>            | <u>\$ 688,439</u>   |

##### 2020

|                                 | Buildings         | Machinery and equipment | Transportation equipment | Office equipment | Other equipment  | Construction in progress | Total               |
|---------------------------------|-------------------|-------------------------|--------------------------|------------------|------------------|--------------------------|---------------------|
| <u>Cost</u>                     |                   |                         |                          |                  |                  |                          |                     |
| Balance as of January 1, 2020   | \$ 339,382        | \$ 1,321,734            | \$ 23,039                | \$ 7,263         | \$ 34,797        | \$ 2,190                 | \$ 1,728,405        |
| Additions                       | 1,816             | 11,331                  | 2,935                    | 624              | 338              | 1,987                    | 19,031              |
| Disposal                        | ( 86)             | ( 8,332)                | ( 1,167)                 | ( 86)            | -                | -                        | ( 9,671)            |
| Net exchange differences        | ( 20,341)         | ( 78,884)               | ( 1,447)                 | ( 446)           | ( 2,093)         | ( 284)                   | ( 103,495)          |
| Balance as of December 31, 2020 | <u>\$ 320,771</u> | <u>\$ 1,245,849</u>     | <u>\$ 23,360</u>         | <u>\$ 7,355</u>  | <u>\$ 33,042</u> | <u>\$ 3,893</u>          | <u>\$ 1,634,270</u> |
| <u>Accumulated depreciation</u> |                   |                         |                          |                  |                  |                          |                     |
| Balance as of January 1, 2020   | \$ 122,981        | \$ 711,060              | \$ 15,267                | \$ 4,509         | \$ 7,672         | \$ -                     | \$ 861,489          |
| Depreciation expenses           | 14,880            | 64,108                  | 2,458                    | 1,388            | 3,197            | -                        | 86,031              |
| Disposal                        | ( 86)             | ( 8,249)                | ( 1,167)                 | ( 86)            | -                | -                        | ( 9,588)            |
| Net exchange differences        | ( 7,939)          | ( 44,701)               | ( 962)                   | ( 316)           | ( 587)           | -                        | ( 54,505)           |
| Balance as of December 31, 2020 | <u>\$ 129,836</u> | <u>\$ 722,218</u>       | <u>\$ 15,596</u>         | <u>\$ 5,495</u>  | <u>\$ 10,282</u> | <u>\$ -</u>              | <u>\$ 883,427</u>   |
| Balance as of December 31, 2020 | <u>\$ 190,935</u> | <u>\$ 523,631</u>       | <u>\$ 7,764</u>          | <u>\$ 1,860</u>  | <u>\$ 22,760</u> | <u>\$ 3,893</u>          | <u>\$ 750,843</u>   |

The property, plant and equipment of the Consolidated Company are depreciated based on the straight-line method based on the following useful life:

|                                             |                |
|---------------------------------------------|----------------|
| Buildings                                   |                |
| Plants and office buildings                 | 20 to 40 years |
| Engineering systems and warehouses          | 10 to 30 years |
| Others                                      | 4 to 10 years  |
| Machinery and equipment                     |                |
| Coating machine, calender, and tape machine | 7 to 20 years  |
| Others                                      | 1 to 7 years   |
| Transportation equipment                    | 5 to 8 years   |
| Office equipment                            | 3 to 8 years   |
| Other equipment                             | 1 to 25 years  |

The Consolidated Company conducted the following significant investing activities in 2021 and 2020 that affected both cash and non-cash items. Information on cash used in the acquisition of property, plant, and equipment is as follows:

|                                                  | <u>2021</u>      | <u>2020</u>      |
|--------------------------------------------------|------------------|------------------|
| Increase in property, plant and equipment        | \$ 17,831        | \$ 19,031        |
| Increase (decrease) in prepayments for equipment | ( 2,151 )        | 3,949            |
| Decrease (increase) in equipment payable         | ( 168 )          | 295              |
| Cash payment                                     | <u>\$ 15,512</u> | <u>\$ 23,275</u> |

Please refer to Note 27 for the Consolidated Company's property, plant and equipment pledged as collateral.

#### 1. Lease Agreement

##### a. Right-of-use assets

|                                        | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------------|--------------------------|--------------------------|
| Carrying amount of right-of-use assets |                          |                          |
| Land                                   | \$ 24,151                | \$ 25,720                |
| Buildings                              | <u>7,289</u>             | <u>8,434</u>             |
|                                        | <u>\$ 31,440</u>         | <u>\$ 34,154</u>         |

|                                             | <u>2021</u>     | <u>2020</u>     |
|---------------------------------------------|-----------------|-----------------|
| Depreciation expense of right-of-use assets |                 |                 |
| Land                                        | \$ 1,544        | \$ 1,607        |
| Buildings                                   | <u>1,138</u>    | <u>1,185</u>    |
|                                             | <u>\$ 2,682</u> | <u>\$ 2,792</u> |

##### b. Lease liabilities

|                                      | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| Carrying amount of lease liabilities |                          |                          |
| Current                              | <u>\$ 1,623</u>          | <u>\$ 1,595</u>          |
| Non-current                          | <u>\$ 17,589</u>         | <u>\$ 19,503</u>         |

The discount rate (%) of lease liabilities is as follows:

|           | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------|--------------------------|--------------------------|
| Land      | 3.86                     | 3.86                     |
| Buildings | 2.99                     | 2.99                     |

c. Significant lease activities and terms

Right-of-use assets - The land is a right-of-use asset at Dong Nai plant in Vietnam acquired by our subsidiary, Fulin Plastic, in consideration of VND22,635 million in previous years, until July 2037. In addition, the Vietnam Haiphong plant is subject to a land use right lease agreement entered into with the Vietnamese government, with a term until July 2037. The rent is determined by the Vietnamese government every 5 years with reference to market conditions.

Right-of-use assets - The building is an office building leased by our subsidiary, Fulin Plastic, in Ho Chi Minh City until May 2028.

d. Other lease information

|                               | <u>2021</u>     | <u>2020</u>     |
|-------------------------------|-----------------|-----------------|
| Short-term rental expenses    | <u>\$ 120</u>   | <u>\$ 120</u>   |
| Total cash outflow from lease | <u>\$ 2,423</u> | <u>\$ 2,543</u> |

m. Borrowings

a. Short-term borrowings

|                          | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| <u>Unsecured loans</u>   |                          |                          |
| Line of credit loans     | \$495,964                | \$289,852                |
| Bank purchase loan       | <u>44,719</u>            | <u>43,620</u>            |
|                          | <u>\$540,683</u>         | <u>\$333,472</u>         |
| Annual interest rate (%) | 1.15~3.10                | 1.28~3.70                |

b. Long-term borrowings

|                                                 | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------------------------------|--------------------------|--------------------------|
| <u>Secured loans (Note 27)</u>                  |                          |                          |
| Bank loans - due by April 2023                  | \$ 54,978                | \$103,567                |
| <u>Unsecured loans</u>                          |                          |                          |
| Bank loans - due by May 2023                    | <u>23,250</u>            | <u>73,065</u>            |
|                                                 | 78,228                   | 176,632                  |
| Less: Portion recognized as due within one year | <u>46,962</u>            | <u>81,401</u>            |
|                                                 | <u>\$ 31,266</u>         | <u>\$ 95,231</u>         |
| Annual interest rate (%)                        | 1.35~1.71                | 1.295~1.75               |

Certain long-term bank loan contracts require the Company to maintain a specific financial ratio in its annual consolidated financial statements, or a specific financial ratio and amount of shareholders' equity in the annual financial statements of its subsidiary, Fulin Plastic. The consolidated financial statements of the Company and the financial statements of its subsidiary, Fulin Plastic, at the end of 2021 and 2020 were in compliance with the terms and conditions of the bank loan contracts.

n. Notes Payable and Accounts Payable

|                                      | <u>December 31, 2021</u> |
|--------------------------------------|--------------------------|
| Domestic unsecured convertible bonds | <u>\$151,331</u>         |

On May 13, 2021, the Company issued 1,500 NT\$-denominated unsecured convertible bonds with a 0% interest rate in the ROC, with a total principal amount of NT\$150,000 thousand.

The holder of the bonds is entitled to convert each unit of the bond to the ordinary share of the Company at the price of NT\$ 75.8 per share. The conversion price shall be adjusted in accordance with the conversion price adjustment formula in the event of ex-rights or ex-dividend after the determination of the conversion price, which is \$69.8 on December 31, 2021. The conversion period is from August 14, 2021 to May 13, 2024 and if the bonds are not converted at that time, 101.51% of the carrying amount of the bonds as at May 13, 2024 (yield to maturity of 0.5% per annum) will be repaid in one lump sum in cash.

If the closing price of the Company's ordinary shares on the centralized trading market exceeds 30% of the conversion price for 30 consecutive business days, or if the outstanding balance of the convertible bonds is less than 10% of the original issuance amount, the Company may redeem all of the bonds at carrying amount in cash from the day following the third month of issuance until 40 days prior to the maturity date.

Holders of corporate bonds may also request the Company to redeem the bonds held by them for cash at 101.00% of the carrying amount of the bonds on the date when the bonds are 2 years old.

Convertible bonds comprise master contractual liability instruments and conversion option derivatives. The effective interest rate of 0.26% per

annum originally recognized on the main contract component is measured at amortized cost using the effective interest method; the conversion option derivatives are measured at fair value through profit or loss.

The changes in the master contractual liability instruments and the conversion option derivatives from the date of issuance to December 31, 2021 are as follows:

|                                    | Master contractual<br>liability | Conversion option |
|------------------------------------|---------------------------------|-------------------|
| Issuance date (May 13, 2021)       | \$151,069                       | \$ 17,895         |
| Interest costs                     | 262                             | -                 |
| Net profit from fair value changes | -                               | ( 8,865 )         |
| Balance as of December 31, 2021    | <u>\$151,331</u>                | <u>\$ 9,030</u>   |

o. Notes Payable and Accounts Payable

|                         | December 31, 2021 | December 31, 2020 |
|-------------------------|-------------------|-------------------|
| Notes payable           |                   |                   |
| Arising from operations | <u>\$ 43,566</u>  | <u>\$ 21,010</u>  |
| Accounts payable        |                   |                   |
| Arising from operations | <u>\$124,429</u>  | <u>\$194,911</u>  |

p. Other Payables

|                          | December 31, 2021 | December 31, 2020 |
|--------------------------|-------------------|-------------------|
| Salary and bonus payable | \$ 47,639         | \$ 47,143         |
| Freight payable          | 6,808             | 6,957             |
| Utility expenses payable | 3,893             | 5,530             |
| Payables on equipment    | 3,681             | 3,556             |
| Others                   | <u>13,486</u>     | <u>21,140</u>     |
|                          | <u>\$ 75,507</u>  | <u>\$ 84,326</u>  |

q. Post-employment Benefit Plan

Our subsidiary, Fulin Plastic, is a member of the definitive post-employment benefit plan promulgated by the government of Vietnam. Fulin Plastic shall contribute a certain percentage of salaries to the post-employment benefit plan in order to contribute to the fund. Obligations of the Consolidated Company towards the government-operated pension plan are limited to its contributions of specific amounts.

The pension system from "Labor Pension Act" applicable to the Taiwanese subsidiaries of the Company under the Consolidated Company is a defined contribution plan under government administration. The Consolidated Company contributes 6% of the employee's monthly salary to the personal account under the Bureau of Labor Insurance.

r. Equity

a. Share capital - common stock

|                                           | Unit: Thousand shares/NT\$ thousand |                          |
|-------------------------------------------|-------------------------------------|--------------------------|
|                                           | <u>December 31, 2021</u>            | <u>December 31, 2020</u> |
| Authorized shares                         | <u>100,000</u>                      | <u>100,000</u>           |
| Authorized capital                        | <u>\$ 1,000,000</u>                 | <u>\$ 1,000,000</u>      |
| Number of shares issued<br>and fully paid | <u>50,400</u>                       | <u>49,400</u>            |
| Issued capital                            | <u>\$ 504,000</u>                   | <u>\$ 494,000</u>        |

Common stocks are issued with a par value of NT\$10 per share and each common stock represents a right to vote and receive dividends.

In March 2021, the Board of Directors of the Company resolved to issue 1,000,000 new shares in cash, with the base date on September 2, 2021.

The total amount raised from the aforesaid capital increase, net of issue costs, was included in common stock capital of NT\$10,000 thousand and capital surplus - capital premium of NT\$49,038 thousand. As of December 31, 2021, the Company had 50,400,000 issued shares and a paid-up share capital of NT\$504,000,000.

b. Capital surplus

|                                                               | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------------------------------|--------------------------|--------------------------|
| To cover loss, cash<br>distribution, or for<br>capitalization |                          |                          |
| Stock issuance premium<br>(Note)                              | \$320,415                | \$320,777                |
| Exercise of employee<br>stock options                         | <u>6,621</u>             | <u>4,820</u>             |
|                                                               | <u>\$327,036</u>         | <u>\$325,597</u>         |

Note: Refers to the difference between the amount of equity in Fulin Plastic and the Company's issued share capital on the base date of the reorganization during the organizational restructuring of the Company. It also refers to the capital surplus - equity premium arising from the excess of the price of new shares issued through a capital increase in cash over its par value.

c. Retained earnings and dividend policy

According to the earnings distribution policy of the Company's Articles of Incorporation, in case of earnings in the annual accounts, after paying all related taxes, making up accumulated loss, and provision of 10% of the statutory surplus reserve, and after making the special reserve required by the securities competent authorities of the Republic of China in accordance with the rules of public companies or the provision approved by the Board of Directors of the Company, the Company may, by resolution at the general shareholders meeting, pay dividends to the shareholders in proportion to the shareholders' shareholding in an amount no less than 10% of the remaining distributable earnings of the year. The amount of cash dividends shall not be less than 10% of the total dividends paid for the year. For the employee and director remuneration distribution policy, please refer to Note 20 (6) (Employee and Director Remuneration).

In accordance with the Company's Articles of Incorporation, the statutory surplus reserve shall be allocated at least until its balance reaches the Company's total paid-in capital, and may be distributed to shareholders in cash in addition to capitalization.

Provision and reverse of the special reserve are made by the Company in accordance with the Order Jin-Guan-Zheng-Fa-Zi No. 1090150022 from the FSC and "Q&A on the Applicability of the Appropriation of Special Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)."

The proposals for the distribution of 2020 and 2019 earnings resolved at the Company's shareholders' meeting on July 1, 2021 and June 9, 2020 are as follows:

|                                                         | 2020             | 2019             |
|---------------------------------------------------------|------------------|------------------|
| Statutory surplus reserve                               | \$ 31,088        | \$ 28,117        |
| Special surplus reserve                                 | 70,772           | 27,092           |
| Cash dividends                                          | <u>247,000</u>   | <u>148,200</u>   |
|                                                         | <u>\$348,860</u> | <u>\$203,409</u> |
| Cash dividend capital<br>bonus for each share<br>(NT\$) | \$ 5             | \$ 3             |

In addition, the Company decided to distribute cash dividends with capital reserve - stock issuance premium of NT\$49,400 thousand (NT\$1 per share) and NT\$98,800 thousand (NT\$2 per

share) at the shareholders' meetings on July 1, 2021 and June 9, 2020, respectively.

The proposed distribution of the Company's 2021 earnings at the Board of Directors' meeting on 16 March 2022 is as follows:

|                                                         | 2021             |
|---------------------------------------------------------|------------------|
| Statutory surplus reserve                               | \$ 29,767        |
| Special surplus reserve                                 | 5,978            |
| Cash dividends                                          | <u>252,000</u>   |
|                                                         | <u>\$287,745</u> |
| Cash dividend capital<br>bonus for each share<br>(NT\$) | \$ 5             |

In addition, the Company decided to distribute cash dividends (NT\$1 per share) with a capital reserve stock issuance premium of NT\$50,400 thousand at the meeting of the Board of Director on March 16, 2022.

The proposed distribution of the earnings in 2021 will be determined at the shareholders' meeting on June 9, 2022.

d. Exchange differences on translation of financial statements of foreign operations

|                                                                                   | 2021                 | 2020                 |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
| Opening balance                                                                   | (\$319,205)          | (\$248,433)          |
| Exchange difference for<br>the conversion of<br>presentation currency             | ( 21,412)            | ( 75,436)            |
| Translation differences in<br>financial statements<br>from overseas<br>operations | <u>15,434</u>        | <u>4,664</u>         |
| Closing balance                                                                   | ( <u>\$325,183</u> ) | ( <u>\$319,205</u> ) |

s. Revenue

|                                 | 2021               | 2020               |
|---------------------------------|--------------------|--------------------|
| Revenue from customer contracts |                    |                    |
| Revenue from sales of goods     | <u>\$2,765,512</u> | <u>\$2,664,416</u> |

a. Contract balance

|                         | December 31<br>2021 | December 31<br>2020 | January 1<br>2020 |
|-------------------------|---------------------|---------------------|-------------------|
| Net accounts receivable | <u>\$455,195</u>    | <u>\$425,284</u>    | <u>\$404,781</u>  |

|                      | December 31<br>2021 | December 31<br>2020 | January 1<br>2020 |
|----------------------|---------------------|---------------------|-------------------|
| Contract liabilities |                     |                     |                   |
| Sale of goods        | <u>\$ 3,646</u>     | <u>\$ 9,926</u>     | <u>\$ 6,951</u>   |

Changes in contract liabilities are mainly attributable to the difference between the timing of fulfilling performance obligations and the timing of customers' payment. There were no other significant changes.

b. Breakdown of revenue from customer contracts

|                             | 2021                | 2020                |
|-----------------------------|---------------------|---------------------|
| Revenue from sales of goods |                     |                     |
| Latex Leather               | \$ 1,307,914        | \$ 1,361,405        |
| Soft Leather                | 730,877             | 530,042             |
| Tape                        | 653,154             | 689,398             |
| Others                      | <u>73,567</u>       | <u>83,571</u>       |
|                             | <u>\$ 2,765,512</u> | <u>\$ 2,664,416</u> |

t. Profit before Tax

a. Interest income

|               | 2021            | 2020            |
|---------------|-----------------|-----------------|
| Bank deposits | <u>\$ 7,439</u> | <u>\$ 6,212</u> |

b. Other gains and losses

|                                                                            | 2021             | 2020             |
|----------------------------------------------------------------------------|------------------|------------------|
| Net profit from foreign exchange                                           | \$ 15,437        | \$ 5,443         |
| Net profit from financial liabilities at fair value through profit or loss | 8,865            | -                |
| Net gain on disposal of property, plant and equipment                      | -                | 452              |
| Others                                                                     | <u>( 1,418 )</u> | <u>( 1,440 )</u> |
|                                                                            | <u>\$ 22,884</u> | <u>\$ 4,455</u>  |

c. Finance costs

|                               | 2021             | 2020             |
|-------------------------------|------------------|------------------|
| Interest on bank loans        | \$ 9,596         | \$ 14,224        |
| Interest on lease liabilities | 710              | 802              |
| Convertible bonds             | <u>262</u>       | <u>-</u>         |
|                               | <u>\$ 10,568</u> | <u>\$ 15,026</u> |

d. Depreciation and amortization

|                                                                                       | 2021             | 2020             |
|---------------------------------------------------------------------------------------|------------------|------------------|
| Property, plant and equipment                                                         | \$ 79,710        | \$ 86,031        |
| Right-of-use assets                                                                   | 2,682            | 2,792            |
| Other non-current assets and intangible assets                                        | <u>14,771</u>    | <u>20,386</u>    |
|                                                                                       | <u>\$ 97,163</u> | <u>\$109,209</u> |
| Depreciation expenses summarized by function                                          |                  |                  |
| Operating costs                                                                       | \$ 68,229        | \$ 73,871        |
| Operating expenses                                                                    | <u>14,163</u>    | <u>14,952</u>    |
|                                                                                       | <u>\$ 82,392</u> | <u>\$ 88,823</u> |
| Amortization of other non-current assets and intangible assets summarized by function |                  |                  |
| Operating costs                                                                       | \$ 9,521         | \$ 13,144        |
| Operating expenses                                                                    | <u>5,250</u>     | <u>7,242</u>     |
|                                                                                       | <u>\$ 14,771</u> | <u>\$ 20,386</u> |

e. Employee benefit expenses

|                                     | 2021             | 2020             |
|-------------------------------------|------------------|------------------|
| Short-term employee benefits        | \$256,222        | \$251,404        |
| Benefits after retirement           |                  |                  |
| Defined contribution plan (Note 17) | <u>16,085</u>    | <u>17,294</u>    |
|                                     | <u>\$272,307</u> | <u>\$268,698</u> |
| Summarized by functions             |                  |                  |
| Operating costs                     | \$155,342        | \$154,960        |
| Operating expenses                  | <u>116,965</u>   | <u>113,738</u>   |
|                                     | <u>\$272,307</u> | <u>\$268,698</u> |

f. Employee and director remuneration

In accordance with the Company's Articles of Incorporation, the Company contributes 1% to 10% and no more than 3% of its net profit before tax before the distribution of employee and director remuneration to employee remuneration and director remuneration.

Changes made to the amount after the publication of the annual consolidated financial statements shall be accounted for in accordance with estimated accounting changes and will be recognized in the financial statements of the following year.

The 2021 and 2020 employee and director remunerations resolved at the Board meetings on March 16, 2022 and March 11, 2021 are as follows:

Unit: Thousand US\$

2021

|                       | Provision<br>ratio<br>(%) | Estimated<br>amount<br>in financial<br>statements | Amount<br>resolved<br>at Board<br>meeting |
|-----------------------|---------------------------|---------------------------------------------------|-------------------------------------------|
| Employee remuneration | 2                         | \$ 275                                            | \$ 275                                    |
| Director remuneration | -                         | -                                                 | -                                         |

2020

|                       | Provision<br>ratio<br>(%) | Estimated<br>amount<br>in financial<br>statements | Amount<br>resolved<br>at Board<br>meeting |
|-----------------------|---------------------------|---------------------------------------------------|-------------------------------------------|
| Employee remuneration | 2                         | \$ 277                                            | \$ 277                                    |
| Director remuneration | -                         | -                                                 | -                                         |

There was no difference between the actual amount of employee compensation allotted in 2019 and the amount recognized in the annual consolidated financial statements.

Information on the employee and director remuneration approved at the Board meeting is available at the Market Observation Post System of Taiwan Stock Exchange Corporation.

g. Foreign exchange gain

|                             | 2021      | 2020      |
|-----------------------------|-----------|-----------|
| Total foreign exchange gain | \$ 26,464 | \$ 22,522 |

|                             | 2021              | 2020              |
|-----------------------------|-------------------|-------------------|
| Total foreign exchange loss | ( <u>11,027</u> ) | ( <u>17,079</u> ) |
| Net gain                    | <u>\$ 15,437</u>  | <u>\$ 5,443</u>   |

u. Income Tax

a. Main composition of income tax recognized in profit or loss

|                                | 2021             | 2020             |
|--------------------------------|------------------|------------------|
| Current income tax             |                  |                  |
| Accrued in the year            | \$ 82,763        | \$ 88,613        |
| Adjustments for previous years | ( <u>2,062</u> ) | ( <u>1,363</u> ) |
|                                | 80,701           | 87,250           |
| Deferred income tax            |                  |                  |
| Accrued in the year            | ( <u>1,426</u> ) | ( <u>1,479</u> ) |
|                                | <u>\$ 79,275</u> | <u>\$ 85,771</u> |

Adjustments for accounting income and income tax expenses are as follows:

|                                                                                                             | 2021             | 2020             |
|-------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Net profit before tax from continuing operations                                                            | <u>\$376,951</u> | <u>\$396,652</u> |
| Income tax expenses in which net profit before income tax is calculated according to the statutory tax rate | \$ 80,605        | \$ 84,447        |
| Non-deductible expenses                                                                                     | 732              | 2,687            |
| Adjustments made for the current year to the current income tax of previous years                           | ( <u>2,062</u> ) | ( <u>1,363</u> ) |
|                                                                                                             | <u>\$ 79,275</u> | <u>\$ 85,771</u> |

The Company is exempt from profit-seeking enterprise income tax in accordance with local laws. The statutory tax rate applicable to the Taiwanese branch and the subsidiary, Fulin Plastic, is 20%.

b. Current tax liabilities

|                    | December 31, 2021 | December 31, 2020 |
|--------------------|-------------------|-------------------|
| Income tax payable | <u>\$ 18,745</u>  | <u>\$ 36,477</u>  |

c. Deferred tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2021

|                                 | Opening<br>balance | Recognized<br>in profit or<br>loss | Exchange<br>differences | Closing<br>balance |
|---------------------------------|--------------------|------------------------------------|-------------------------|--------------------|
| <u>Deferred tax assets</u>      |                    |                                    |                         |                    |
| Temporary differences           |                    |                                    |                         |                    |
| Unrealized                      |                    |                                    |                         |                    |
| termination benefits            | \$ 3,456           | \$ 221                             | (\$ 4)                  | \$ 3,673           |
| Sales allowance                 | 1,728              | ( 535)                             | ( 2)                    | 1,191              |
| Unrealized loss on              |                    |                                    |                         |                    |
| inventory valuation             | 3,832              | 1,817                              | ( 6)                    | 5,643              |
| Others                          | <u>2,920</u>       | <u>( 93)</u>                       | <u>( 5)</u>             | <u>2,822</u>       |
|                                 | <u>\$ 11,936</u>   | <u>\$ 1,410</u>                    | <u>(\$ 17)</u>          | <u>\$ 13,329</u>   |
| <u>Deferred tax liabilities</u> |                    |                                    |                         |                    |
| Temporary differences           |                    |                                    |                         |                    |
| Unrealized exchange             |                    |                                    |                         |                    |
| gains                           | <u>\$ 82</u>       | <u>(\$ 16)</u>                     | <u>\$ -</u>             | <u>\$ 66</u>       |

2020

|                                 | Opening<br>balance | Recognized<br>in profit or<br>loss | Exchange<br>differences | Closing<br>balance |
|---------------------------------|--------------------|------------------------------------|-------------------------|--------------------|
| <u>Deferred tax assets</u>      |                    |                                    |                         |                    |
| Temporary differences           |                    |                                    |                         |                    |
| Unrealized                      |                    |                                    |                         |                    |
| termination benefits            | \$ 3,486           | \$ 194                             | (\$ 224)                | \$ 3,456           |
| Sales allowance                 | 2,251              | ( 416)                             | ( 107)                  | 1,728              |
| Unrealized loss on              |                    |                                    |                         |                    |
| inventory valuation             | 2,662              | 1,428                              | ( 258)                  | 3,832              |
| Others                          | <u>2,766</u>       | <u>274</u>                         | <u>( 120)</u>           | <u>2,920</u>       |
|                                 | <u>\$ 11,165</u>   | <u>\$ 1,480</u>                    | <u>(\$ 709)</u>         | <u>\$ 11,936</u>   |
| <u>Deferred tax liabilities</u> |                    |                                    |                         |                    |
| Temporary differences           |                    |                                    |                         |                    |
| Unrealized exchange             |                    |                                    |                         |                    |
| gains                           | <u>\$ 96</u>       | <u>\$ 1</u>                        | <u>(\$ 15)</u>          | <u>\$ 82</u>       |

d. Income tax approvals

The income tax returns of the Company's Taiwan branch have been examined by the tax authorities for the years ending 2019.

v. Earnings per Share

The weighted average number of common stock for calculating earnings per share and the weighted average number of common stock are as follows:

|                                                       | <u>2021</u>      | <u>2020</u>      |
|-------------------------------------------------------|------------------|------------------|
| Net profit attributable to the owners of the Company  | \$297,676        | \$310,881        |
| Effect of potential ordinary shares with dilution     |                  |                  |
| Convertible bonds                                     | ( <u>8,603</u> ) | <u>-</u>         |
| Net profit for calculating diluted earnings per share | <u>\$289,073</u> | <u>\$310,881</u> |

Number of shares

Unit: Thousand shares

|                                                                                       | <u>2021</u>   | <u>2020</u>   |
|---------------------------------------------------------------------------------------|---------------|---------------|
| Weighted average number of ordinary shares for calculating basic earnings per share   | 49,732        | 49,400        |
| Effect of potential ordinary shares with dilution                                     |               |               |
| Employee remuneration                                                                 | 134           | 146           |
| Convertible bonds                                                                     | <u>824</u>    | <u>-</u>      |
| Weighted average number of ordinary shares for calculating diluted earnings per share | <u>50,690</u> | <u>49,546</u> |

If the Consolidated Company elected to distribute employees' remuneration by way of shares or cash, the calculation of diluted earnings per share should assume that the remuneration is paid in the form of shares, the dilutive potential ordinary shares should also be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. The dilutive effect of such potential common stocks shall continue to be considered when calculating the diluted earnings per share before the number of shares to be distributed as employee remuneration is resolved at the Board meeting in the following year.

w. Share Based Payment Agreement

In March 2021, the Board of Directors resolved to issue 1,000,000 new shares in cash and reserved 10% of the total new shares issued for subscription by employees in accordance with the Company's Articles of Association. In accordance with IFRS 2, "Share Based Payment", this employee option right was recognized as salary expense of NT\$1,801

thousand and the same amount of capital surplus - employee stock options on the grant date of July 26, 2021 (the vesting date) using the fair value method, which was transferred to capital surplus - share issuance premium on the execution date. The following information is disclosed in relation to the employee option rights for the above cash increase:

| <u>Option</u>                                            | <u>Unit (1,000 shares)</u> |
|----------------------------------------------------------|----------------------------|
| Granted in 2021                                          | 100                        |
| Executed in 2021                                         | 100                        |
| Fair value of option rights granted in 2021 (NT\$/share) | \$ 18.01                   |

The Company uses the Black-Scholes option valuation model to calculate its fair value and the parameters used for the valuation model at the date of grant are as follows:

|                              | <u>Employee option</u> |
|------------------------------|------------------------|
| Share price on grant date    | NT\$ 78/share          |
| Exercise price               | NT\$ 60/share          |
| Expected fluctuation         | 21.32%                 |
| Expected duration            | 29 days                |
| Expected share interest rate | -                      |
| Risk-free interest rate      | 0.1181%                |

#### x. Capital Risk Management

The Consolidated Company conducts capital management to ensure that companies under the Group are able to maximize the benefit for its shareholders by optimizing debt and equity, provided that it is operating as a going concern.

The Consolidated Company's capital structure consists of its net debt (i.e., borrowings less cash and cash equivalents) and equity attributable to the owners of the Company (i.e., share capital - common stock, capital surplus, retained earnings, and other equity).

The Consolidated Company is not required to comply with other external capital requirements.

#### y. Financial Instruments

##### a. Information on fair value - financial instruments not measured at fair value

Except the items listed in the following table, management of the Consolidated Company considers that the carrying amount of financial assets and liabilities not measured at fair value are close to the fair value.

December 31, 2021

|                                         | Carrying<br>amount | Fair value  |             |                  |                  |
|-----------------------------------------|--------------------|-------------|-------------|------------------|------------------|
|                                         |                    | Class 1     | Class 2     | Class 3          | Total            |
| Financial liabilities                   |                    |             |             |                  |                  |
| Financial liabilities at amortized cost |                    |             |             |                  |                  |
| Convertible bonds                       | <u>\$151,331</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$147,330</u> | <u>\$147,330</u> |

b. Information on fair value - financial instruments measured at fair value on a recurring basis

1. Fair value class - on December 31, 2021 only

|                                                                         | Class 1     | Class 2     | Class 3         | Total           |
|-------------------------------------------------------------------------|-------------|-------------|-----------------|-----------------|
| Financial liabilities measured at fair value through profit and loss    |             |             |                 |                 |
| Convertible bonds, conversion rights, redemption rights and sale rights | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,030</u> | <u>\$ 9,030</u> |

2. Adjustment of financial instruments measured at fair value in Class 3

2021

|                                                         | Financial liabilities at fair value through profit or loss |
|---------------------------------------------------------|------------------------------------------------------------|
| Issuance date (May 13, 2021)                            | <u>\$ 17,895</u>                                           |
| Recognized in profit or loss (other profits and losses) | <u>( 8,865 )</u>                                           |
| Closing balance                                         | <u>\$ 9,030</u>                                            |

3. Valuation techniques and inputs measured at Class 3 fair value

The fair value of the components of convertible bond liabilities was assessed using a binary tree convertible bond valuation model, and the significant unobservable inputs used were estimated using liquidity risk parameters.

c.Types of financial instruments

|                                                                                                                 | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <u>Financial assets</u>                                                                                         |                          |                          |
| Financial assets at<br>amortized cost (Note 1)                                                                  | \$ 799,857               | \$ 727,788               |
| <u>Financial liabilities</u>                                                                                    |                          |                          |
| measured at fair value<br>through profit and loss<br>To be measured at<br>fair value through<br>profit and loss | 9,030                    | -                        |
| Financial liabilities at<br>amortized cost (Note 2)                                                             | 1,013,744                | 810,351                  |

Note 1: The balance includes financial assets at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, other financial assets, and refundable deposits.

Note 2: The balance includes financial liabilities at amortized cost, such as long-term and short-term borrowings (including those due within one year), notes and accounts payable, other payables and company liabilities payable.

c. Objectives and policies related to financial risk management

The primary financial instruments of the Consolidated Company include accounts receivable, accounts payable, borrowings, and lease liabilities. The finance management department of the Consolidated Company provides services to business units and coordinates operations in the domestic and overseas financial markets by supervising internal risk exposure reports and managing financial risks related to the operations of the Consolidated Company in accordance with the risk level and breadth analysis. Such risks include market risks (including exchange rate risks and interest rate risks), credit risks, and liquidity risks.

The Consolidated Company hedges its exposure to risk through derivative financial instruments to mitigate the effects of those risks. None of the trading of financial instruments (including derivative financial instruments) is made for the purpose of speculation. The finance department regularly reports on management of the Consolidated Company.

1) Market risks

The Consolidated Company's activities are primarily exposed to the financial risks of changes in foreign exchange rates (see (1) below) and the changes in interest rates (see (2) below).

a) Foreign exchange risk

The Consolidated Company is engaged in the sales and purchases denominated in foreign currencies, resulting in the exposure to changes in interest rates. The Consolidated Company manages its exchange rate risk by using exchange rate swap contracts to manage the risk to the extent permitted by the policy.

Please refer to Note 29 for the Consolidated Company's carrying amounts of monetary assets and monetary liabilities denominated in non-functional currency denominated at the consolidated balance sheet date.

Sensitivity analysis

The Consolidated Company is mainly exposed to fluctuations of US\$ and NT\$ exchange rates. The following table illustrates a detailed sensitivity analysis of the Consolidated Company when the functional currency increases and decreases by 1% against US\$ and NT\$. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation at the end of the period for a 1% change in exchange rate. The scope of the sensitivity analysis includes bank deposits, accounts receivable, and borrowings. Positive figures in the table below indicates the amount of increase in profit before tax when the functional currency appreciates by 1% against US\$. When the functional currency depreciates by 1% against US\$, the impact on the net profit before tax will be the negative sum of the same amount.

|                | Impact of US\$ |          |
|----------------|----------------|----------|
|                | 2021           | 2020     |
| Profit or loss | \$ 3,039       | \$ 3,269 |

|                | Impact of NT\$ |      |
|----------------|----------------|------|
|                | 2021           | 2020 |
| Profit or loss | \$ 1,522       | \$ - |

b) Interest rate risk

The interest rate risks generated are mainly from the funds borrowed by the Consolidated Company on fixed and floating interest rates simultaneously. The Consolidated Company manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates.

The carrying amount of financial assets and financial liabilities of the Consolidated Company are exposed to the following interest rate risks on the balance sheet date:

|                                      | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| Interest rate risks with fair values |                          |                          |
| Financial liabilities                | \$151,331                | \$ -                     |
| Interest rate risks with cash flows  |                          |                          |
| Financial assets                     | 49,242                   | 41,222                   |
| Financial liabilities                | 618,911                  | 510,104                  |

The fair value risk of fixed-rate time deposits and lease liabilities held by the Consolidated Company is not material.

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments to the interest rates on balance sheet date. The analysis of floating rate assets and liabilities is based on the assumption that the amount of assets and liabilities outstanding on the balance sheet date is outstanding during the reporting period.

If an interest rate increases/decreases by 1%, with all other variables held constant, the Consolidated Company's net profit before tax will decrease/increase by NT\$5,697 thousand and NT\$4,689 thousand for 2021 and 2020, respectively, primarily due to the Consolidated Company's borrowings and bank deposits with variable interest rates.

2) Credit risk

Credit risks refer to the risks causing financial loss to the Group due to the default of the counterparty in performing contractual obligations. As

at the balance sheet date, the Consolidated Company's maximum exposure to credit risk resulting in a financial loss due to the default of the counterparty in performing contractual obligations is primarily arising from the carrying amount of the financial assets recognized in the balance sheet.

The Consolidated Company's policy is to trade only with trustworthy counterparties and to continuously monitor credit risk and credit ratings of counterparties, and to spread the total transaction amount to clients whose credit ratings are qualified. Credit risks are controlled through periodic review and approval of counterparty credit limits.

The credit risks of the Consolidated Company are mainly concentrated in the accounts receivable of the following companies:

|           | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------|--------------------------|--------------------------|
| Company A | \$112,425                | \$ 63,808                |
| Company B | <u>46,388</u>            | <u>19,348</u>            |
|           | <u>\$158,813</u>         | <u>\$ 83,156</u>         |

For the years ended December 31, 2021 and 2020, the percentages of total accounts receivable from the aforementioned companies were 35% and 19%, respectively.

### 3) Liquidity risk

The Consolidated Company supports the group's operation and reduces the impact brought by cash flow fluctuation by managing and maintaining sufficient cash and cash equivalents. The Consolidated Company's management supervises the utilization of bank financing and ensures compliance with the terms of loan contracts.

Bank loans are significant sources of liquidity for the Consolidated Company. For the unutilized financing amount of the Consolidated Company, please refer to the financing amount described in (2) below.

#### a) Table of liquidity of non-derivative financial liabilities and interest risk

The contractual maturity analysis of balances for non-derivative financial liabilities is prepared based on the earliest date in which the Consolidated Company is required to repay the loans, based on the undiscounted cash flows of the financial liabilities

(including principal and estimated interest). Therefore, the following table presents the bank loans required to be repaid immediately by the Consolidated Company, regardless of the probability of exercising such rights by the bank. The analysis of the maturity of other non-derivative liabilities is prepared in accordance with the agreed repayment date.

The undiscounted interest relating to the cash flow for repaying interest at floating interest rates is estimated according to the interest rates on the balance sheet date.

December 31, 2021

|                                         | 1 to 3 months     | 3 months to 1<br>year | More than 1<br>year |
|-----------------------------------------|-------------------|-----------------------|---------------------|
| Non-derivative<br>financial liabilities |                   |                       |                     |
| Non-interest-<br>bearing liabilities    | \$ 235,887        | \$ 7,615              | \$ -                |
| Lease liabilities                       | 606               | 1,818                 | 23,790              |
| Variable-rate<br>instruments            | 172,698           | 418,344               | 31,387              |
| Fixed-rate<br>instruments               | -                 | -                     | 152,265             |
|                                         | <u>\$ 409,191</u> | <u>\$ 427,777</u>     | <u>\$ 207,442</u>   |

Further information on the maturity analysis of the above financial liabilities is as follows:

|                   | Within 1<br>year | 1-5 years        | 5-10 years      | More than<br>10 year |
|-------------------|------------------|------------------|-----------------|----------------------|
| Lease liabilities | <u>\$ 2,424</u>  | <u>\$ 12,420</u> | <u>\$ 6,141</u> | <u>\$ 5,229</u>      |

December 31, 2020

|                                         | 1 to 3 months     | 3 months to 1<br>year | More than 1<br>year |
|-----------------------------------------|-------------------|-----------------------|---------------------|
| Non-derivative<br>financial liabilities |                   |                       |                     |
| Non-interest-<br>bearing liabilities    | \$ 292,469        | \$ 7,778              | \$ -                |
| Lease liabilities                       | 577               | 1,730                 | 24,229              |
| Variable-rate<br>instruments            | 79,458            | 339,699               | 96,365              |
|                                         | <u>\$ 372,504</u> | <u>\$ 349,207</u>     | <u>\$ 120,594</u>   |

Further information on the maturity analysis of the above financial liabilities is as follows:

|                   | Within 1<br>year | 1-5 years       | 5-10 years      | More than<br>10 year |
|-------------------|------------------|-----------------|-----------------|----------------------|
| Lease liabilities | <u>\$ 2,307</u>  | <u>\$ 9,404</u> | <u>\$ 8,156</u> | <u>\$ 6,669</u>      |

b) Credit limit

|                                   | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------------|--------------------------|--------------------------|
| Unsecured bank<br>borrowing limit |                          |                          |
| Utilized<br>amount                | \$ 563,933               | \$ 406,537               |
| Unutilized<br>amount              | <u>1,021,239</u>         | <u>1,617,434</u>         |
|                                   | <u>\$ 1,585,172</u>      | <u>\$ 2,023,971</u>      |
| Secured bank<br>borrowing limit   |                          |                          |
| Utilized<br>amount                | \$ 54,978                | \$ 103,567               |
| Unutilized<br>amount              | <u>-</u>                 | <u>346,058</u>           |
|                                   | <u>\$ 54,978</u>         | <u>\$ 449,625</u>        |

z. Related-Party Transactions

Transactions, account balances, and revenues and gains and expenses and losses within the Consolidated Company have been eliminated on consolidation and thus are not disclosed in this note. Transactions between the Consolidated Company and other related parties are as follows:

a. Name and relation of related parties

| <u>Name of related party</u>         | <u>Relationship with the Consolidated Company</u> |
|--------------------------------------|---------------------------------------------------|
| Hongyu Concrete Industrial Co., Ltd. | Related party in substance                        |
| Wang, Yuan-Lin                       | Chairman of the Company                           |

b. Endorsements and guarantees

Certain long-term and short-term borrowings of the Consolidated Company's were collaterally guaranteed by Wang, Yuan-Lin, the Company's Chairman, as of December 31, 2021 and 2020.

c. Others

The Company's Taiwanese branch is rented from a substantial related party for a term until the end of December 2023. Rental expenses for both 2021 and 2020 were NT\$120 thousand and NT\$120 thousand, respectively, which were recognized under operating expenses.

d. Key management remuneration

|                              | 2021             | 2020             |
|------------------------------|------------------|------------------|
| Short-term employee benefits | \$ 16,325        | \$ 19,417        |
| Benefits after retirement    | 135              | 168              |
| Share base payment           | 843              | -                |
|                              | <u>\$ 17,303</u> | <u>\$ 19,585</u> |

aa. Pledged Assets

| I<br>t<br>e<br>m              | Nature of guarantee  | C a r r y i n g a m o u n t |                   |
|-------------------------------|----------------------|-----------------------------|-------------------|
|                               |                      | December 31<br>2020         | January 1<br>2020 |
| Property, plant and equipment | Long-term borrowings | <u>\$304,831</u>            | <u>\$386,190</u>  |

ab. Significant Contingent Liabilities and Unrecognized Contract Commitments

- a. The unutilized letters of credit issued for the purchase of raw materials of the Consolidated Company is as follows:

Unit: Thousand US\$

|      | December 31, 2021 | December 31, 2020 |
|------|-------------------|-------------------|
| US\$ | <u>\$ 324</u>     | <u>\$ 990</u>     |

- b. Unrecognized contract commitments of the Consolidated Company are as follows:

|                                           | December 31, 2021 | December 31, 2020 |
|-------------------------------------------|-------------------|-------------------|
| Purchase of property, plant and equipment | <u>\$ 486</u>     | <u>\$ 3,820</u>   |

ac. Exchange Rate of Financial Assets and Liabilities Denominated in Foreign Currencies with Significant Impact

The following information was summarized by foreign currencies other than the functional currency of the Consolidated Company. The exchange rates disclosed were those used to translate the foreign currencies into the functional currency. Information on foreign currency assets and liabilities with significant impact is as follows:

Unit: Thousand in foreign currency/NT\$  
thousand/Thousand in exchange

|                                            | F o r e i g n<br>c u r r e n c y E x c h a n g e r a t e |        |             | C a r r y i n g<br>a m o u n t |
|--------------------------------------------|----------------------------------------------------------|--------|-------------|--------------------------------|
| <u>December 31, 2021</u>                   |                                                          |        |             |                                |
| Financial assets of<br>monetary items      |                                                          |        |             |                                |
| US\$                                       | \$ 9,752                                                 | 22,773 | (US\$:VND)  | \$ 269,935                     |
| US\$                                       | 5,614                                                    | 27.68  | (US\$:NT\$) | 155,408                        |
| Financial liabilities of<br>monetary items |                                                          |        |             |                                |
| US\$                                       | 26,345                                                   | 22,773 | (US\$:VND)  | 729,207                        |
| NT\$                                       | 152,231                                                  | 0.036  | (NT\$:US\$) | 152,231                        |
| <u>December 31, 2020</u>                   |                                                          |        |             |                                |
| Financial assets of<br>monetary items      |                                                          |        |             |                                |
| US\$                                       | 7,448                                                    | 23,096 | (US\$:VND)  | 209,314                        |
| US\$                                       | 5,573                                                    | 28.10  | (US\$:NT\$) | 156,600                        |
| Financial liabilities of<br>monetary items |                                                          |        |             |                                |
| US\$                                       | 24,653                                                   | 23,096 | (US\$:VND)  | 692,796                        |

Foreign exchange gains or losses with significant influence (including realized and unrealized) are as follows:

| Foreign currency | Exchange rate |             | Net foreign<br>exchange gain<br>(loss) |
|------------------|---------------|-------------|----------------------------------------|
| 2021             |               |             |                                        |
| US\$             | 22,937        | (US\$:VND)  | \$19,484                               |
| US\$             | 27.94         | (US\$:NT\$) | ( 2,964)                               |
| NT\$             | 0.036         | (NT\$:US\$) | ( 1,083)                               |
|                  |               |             | <u>\$15,437</u>                        |
| 2020             |               |             |                                        |
| US\$             | 23,239        | (US\$:VND)  | \$17,959                               |
| US\$             | 29.47         | (US\$:NT\$) | ( 10,189)                              |
| NT\$             | 0.034         | (NT\$:US\$) | ( 2,327)                               |
|                  |               |             | <u>\$ 5,443</u>                        |

ad. Note Disclosures

a. Information on significant transactions and b. Information on reinvestment

- 1) Funds provided to others: None.
- 2) Endorsements/guarantees provided to others: Annex I.
- 3) Marketable securities held at the end of the period: None.

- 4) Accumulated purchase or disposal of the same marketable securities in excess of NT\$300 million or 20% of the paid-in capital: None.
  - 5) Acquisition of real estate at price in excess of NT\$300 million or 20% of the paid-in capital: None.
  - 6) Disposal of real estate at price in excess of NT\$300 million or 20% of the paid-in capital: None.
  - 7) Purchases from or sales to related parties in excess of NT\$100 million or 20% of the paid-in capital: Annex II.
  - 8) Receivables from related parties in excess of NT\$100 million or 20% of its paid-in capital: Annex III.
  - 9) Derivatives trading: Note 14.
  - 10) Others: Business relations, material transactions, and amounts between the parent company and subsidiaries: Annex IV.
  - 11) Information on investee companies: Annex V.
- c. Information on investments in mainland China
- 1) The mainland China investees' names, principal business activities, paid-in capital, investment method, cash inflow and outflow, shareholding, profit or loss for the period, investment profit or loss recognized, carrying amount of the investment at the end of the period, remittance of investment profit or loss, and limit on the amount of investment in the mainland China: None.
  - 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
    - a) Purchase amount and percentage, and the ending balance and percentage of payables.
    - b) Sales amount and percentage, and the ending balance and percentage of receivables.
    - c) Property transaction amount and the resulting gain or loss.
    - d) Ending balance of endorsement, guarantee or collateral provided and their purposes.
    - e) The maximum balance, ending balance, interest rate range and total amount of current interest of financing.

- f) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.
- d. Information on major shareholders, including the names of stockholders with a holding ratio of 5% or more, the amounts, and the proportion of shares held:  
Annex VI.

ae. Segment Information

The information is provided to the main business decision-maker to allocate resources and assess the performance of each department and focus on each operating entity and the type of product or service provided. Segments of the Consolidated Company to be reported are as follows:

- . Fulin Plastic Industry Company (Fulin Plastic) - Primarily engaged in the production and sale of latex leathers, tapes and soft leathers.
- . Other segments: Fulin Plastic Industry (Cayman) Holding Co., Ltd.
- a. The revenue and operating results of the Consolidated Company are analyzed by reportable segments as follows:

|                                                                                             | <u>Fulin Plastic</u> | <u>Others</u>        | <u>Adjustments<br/>and write-off</u> | <u>Total</u>       |
|---------------------------------------------------------------------------------------------|----------------------|----------------------|--------------------------------------|--------------------|
| <u>2021</u>                                                                                 |                      |                      |                                      |                    |
| Revenue from customers other than those of the parent company and consolidated subsidiaries | \$2,765,512          | \$ -                 | \$ -                                 | \$2,765,512        |
| Revenue from customers of the parent company and consolidated subsidiaries                  | <u>-</u>             | <u>259,533</u>       | <u>( 259,533 )</u>                   | <u>-</u>           |
| Total revenue                                                                               | <u>\$2,765,512</u>   | <u>\$ 259,533</u>    | <u>( \$ 259,533 )</u>                | <u>\$2,765,512</u> |
| Segment profit                                                                              | <u>\$ 378,020</u>    | <u>( \$ 23,547 )</u> | <u>\$ -</u>                          | \$ 354,473         |
| Interest income                                                                             |                      |                      |                                      | 7,439              |
| Other income                                                                                |                      |                      |                                      | 2,723              |
| Other gains and losses                                                                      |                      |                      |                                      | 22,884             |
| Finance costs                                                                               |                      |                      |                                      | <u>( 10,568 )</u>  |
| Profit before tax                                                                           |                      |                      |                                      | 376,951            |
| Income tax                                                                                  |                      |                      |                                      | <u>( 79,275 )</u>  |
| Net profit after tax                                                                        |                      |                      |                                      | <u>\$ 297,676</u>  |
| <u>December 31, 2021</u>                                                                    |                      |                      |                                      |                    |
| Total assets                                                                                | <u>\$2,290,560</u>   | <u>\$ 217,062</u>    | <u>( \$ 140,104 )</u>                | <u>\$2,367,518</u> |
| Total liabilities                                                                           | <u>\$ 987,259</u>    | <u>\$ 247,605</u>    | <u>( \$ 140,104 )</u>                | <u>\$1,094,760</u> |

(Continued)

(Continued from previous page)

|                                                                                             | Fulin Plastic      | Others             | Adjustments<br>and write-off | Total              |
|---------------------------------------------------------------------------------------------|--------------------|--------------------|------------------------------|--------------------|
| 2020                                                                                        |                    |                    |                              |                    |
| Revenue from customers other than those of the parent company and consolidated subsidiaries | \$2,664,416        | \$ -               | \$ -                         | \$2,664,416        |
| Revenue from customers of the parent company and consolidated subsidiaries                  | -                  | 291,119            | ( 291,119)                   | -                  |
| Total revenue                                                                               | <u>\$2,664,416</u> | <u>\$ 291,119</u>  | <u>( \$ 291,119)</u>         | <u>\$2,664,416</u> |
| Segment profit                                                                              | <u>\$ 397,985</u>  | <u>( \$ 4,421)</u> | <u>\$ -</u>                  | \$ 393,564         |
| Interest income                                                                             |                    |                    |                              | 6,212              |
| Other income                                                                                |                    |                    |                              | 7,447              |
| Other gains and losses                                                                      |                    |                    |                              | 4,455              |
| Finance costs                                                                               |                    |                    |                              | ( 15,026)          |
| Profit before tax                                                                           |                    |                    |                              | 396,652            |
| Income tax                                                                                  |                    |                    |                              | ( 85,771)          |
| Net profit after tax                                                                        |                    |                    |                              | <u>\$ 310,881</u>  |
| December 31, 2020                                                                           |                    |                    |                              |                    |
| Total assets                                                                                | <u>\$2,110,228</u> | <u>\$ 158,298</u>  | <u>( \$ 147,446)</u>         | <u>\$2,121,080</u> |
| Total liabilities                                                                           | <u>\$ 965,933</u>  | <u>\$ 85,972</u>   | <u>( \$ 147,446)</u>         | <u>\$ 904,459</u>  |

The segment profit refers to the profit earned by each segment, excluding interest income, gains or losses on disposal of property, plant and equipment, gains or losses on valuation of financial instruments, finance costs, foreign exchange gains or losses, and income tax expenses. The assessment is provided to the main business decision-maker to allocate resources to segments and assess their performance.

b. Information on other segments

|               | Depreciation and<br>amortization |                   | Increase in non-current<br>assets for the year |                  |
|---------------|----------------------------------|-------------------|------------------------------------------------|------------------|
|               | 2021                             | 2020              | 2021                                           | 2020             |
| Fulin Plastic | \$ 96,893                        | \$ 108,973        | \$ 25,612                                      | \$ 31,735        |
| Others        | 270                              | 236               | -                                              | 635              |
|               | <u>\$ 97,163</u>                 | <u>\$ 109,209</u> | <u>\$ 25,612</u>                               | <u>\$ 32,370</u> |

c. Main product revenue

Please refer to Note 19(2).

d. Regional information

Information on the revenue from continuing business from external customers by operation regions and non-current assets by region of the Consolidated Company is as follows:

|         | Revenue from external customers |                     | Non-current assets |                   |
|---------|---------------------------------|---------------------|--------------------|-------------------|
|         |                                 |                     | December 31        | January 1         |
|         | 2021                            | 2020                | 2020               | 2020              |
| Vietnam | \$ 2,765,512                    | \$ 2,664,416        | \$ 732,635         | \$ 806,483        |
| Taiwan  | -                               | -                   | 292                | 565               |
|         | <u>\$ 2,765,512</u>             | <u>\$ 2,664,416</u> | <u>\$ 732,927</u>  | <u>\$ 807,048</u> |

Non-current assets do not include assets classified as financial assets or deferred tax assets.

e. Information on major customers

|           | 2021              |                                         | 2020              |                                         |
|-----------|-------------------|-----------------------------------------|-------------------|-----------------------------------------|
|           | Amount            | Proportion of net operating revenue (%) | Amount            | Proportion of net operating revenue (%) |
| Company A | <u>\$ 685,189</u> | <u>25</u>                               | <u>\$ 367,668</u> | <u>14</u>                               |

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries  
Endorsements/Guarantees Provided to Others  
January 1 to December 31, 2021

Annex I

Unit: NT\$ thousand  
(except otherwise specified)

| No. | Name of endorsement/guarantee provider | Subject of endorsement/guarantee |                           | Limit of endorsements/<br>guarantees for a single entity | Maximum endorsement/<br>guarantee balance for the year | Endorsements/guarantees at the end of the year | Actual expenses | Endorsements/guarantees secured with collateral | Ratio of accumulated endorsements /guarantees to net value in the most recent financial statements (%) | Maximum limit of endorsements/guarantees | Endorsements/guarantees made for subsidiary by parent company | Endorsements/guarantees made for parent company by subsidiary | Endorsements/guarantees for entities in China | Remark          |
|-----|----------------------------------------|----------------------------------|---------------------------|----------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-----------------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|-----------------|
|     |                                        | Company name                     | Relationship              |                                                          |                                                        |                                                |                 |                                                 |                                                                                                        |                                          |                                                               |                                                               |                                               |                 |
| 0   | The Company                            | Fulin Plastic Industry Company   | Subsidiary of the Company | \$ 254,552                                               | \$ 142,650                                             | \$ 138,400                                     | \$ 23,251       | \$ -                                            | 10.87                                                                                                  | \$ 254,552                               | Y                                                             | N                                                             | N                                             | Note 1, 2 and 3 |

Note 1.The amount of endorsement/guarantee for a single entity shall not exceed the net value of the Company × 20% for subsidiaries in which more than 50% common stock are directly owned by the Company, and shall not exceed the net value of the Company × 10% for the remaining.

Note 2.The maximum endorsement/guarantee limit of the Company is the net value of the Company x 20%.

Note 3.US dollars are translated at the spot exchange rate of US\$1 = NT\$27.68.

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries  
Purchases from or Sales to Related Parties in Excess of NT\$100 million or 20% of the Paid-in Capital  
January 1 to December 31, 2021

Annex II

Unit: NT\$ thousand  
(except otherwise specified)

| Company making purchases or sales  | Name of the counterparty       | Relationship | Transaction details |              |                               |                                      | Unusual transaction terms and reasons                      |             | Notes and accounts receivable (payable) |                                                            | Remark       |
|------------------------------------|--------------------------------|--------------|---------------------|--------------|-------------------------------|--------------------------------------|------------------------------------------------------------|-------------|-----------------------------------------|------------------------------------------------------------|--------------|
|                                    |                                |              |                     |              |                               |                                      |                                                            |             | Balance                                 | Ratio to total notes and accounts receivable (payable) (%) |              |
|                                    |                                |              | Purchase/sale       | Amount       | \$ of total purchases (sales) | Loan period                          | Unit price                                                 | Loan period |                                         |                                                            |              |
| The Company's subsidiary in Taiwan | Fulin Plastic Industry Company | Subsidiary   | Sales               | ( \$259,533) | ( 100 )                       | Wire transfer, 120 days upon arrival | No general transaction conditions available for comparison | -           | \$ 140,104                              | 100                                                        | Note 1 and 2 |

Note 1: It has already been written off during the preparation of the consolidated financial statements.

Note 2: The amount of sales includes sales of machinery and equipment.

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries  
Receivables from Related Parties in Excess of NT\$100 Million or 20% of Its Paid-in Capital  
January 1 to December 31, 2021

Annex III

Unit: NT\$ thousand  
(except otherwise specified)

| Company recognized in receivable      | Counterparty                   | Relationship | Balance of<br>receivables from<br>related parties<br>(Note) | Turnover<br>rate<br>(Times) | Overdue receivables from related<br>parties |                 | Subsequently<br>recovered amount<br>of receivables from<br>related parties | Allowance provided<br>for bad debts<br>recognized |
|---------------------------------------|--------------------------------|--------------|-------------------------------------------------------------|-----------------------------|---------------------------------------------|-----------------|----------------------------------------------------------------------------|---------------------------------------------------|
|                                       |                                |              |                                                             |                             | Amount                                      | Handling method |                                                                            |                                                   |
| The Company's subsidiary in<br>Taiwan | Fulin Plastic Industry Company | Subsidiary   | \$140,104                                                   | 1.81                        | \$ -                                        | -               | \$ 48,821                                                                  | \$ -                                              |

Note: It has already been written off during the preparation of the consolidated financial statements.

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries  
Business Relations, Material Transactions, and Amounts between the Parent Company and Subsidiaries  
January 1 to December 31, 2021

Annex IV

Unit: NT\$ thousand  
(except otherwise specified)

| No. | Names of trading party             | Counterparty                   | Relationship with the trading party | Transactions        |            |                                                        |                                                   |
|-----|------------------------------------|--------------------------------|-------------------------------------|---------------------|------------|--------------------------------------------------------|---------------------------------------------------|
|     |                                    |                                |                                     | Item                | Amount     | Terms of transaction                                   | Ratio to consolidated total revenue or assets (%) |
| 0   | The Company's subsidiary in Taiwan | Fulin Plastic Industry Company | Parent company to subsidiary        | Sales revenue       | \$ 259,533 | No transaction in a manner same as a non-related party | 9.38                                              |
| 0   | The Company's subsidiary in Taiwan | Fulin Plastic Industry Company | Parent company to subsidiary        | Accounts receivable | 140,104    | No transaction in a manner same as a non-related party | 5.92                                              |

Fulin Plastic Industry (Cayman) Holding Co., Ltd. and Its Subsidiaries  
Information on Investee Companies  
January 1 to December 31, 2021

Annex V

Unit: NT\$ thousand  
(except otherwise specified)

| Name of investment company | Name of investee company       | Location | Primary business                                                                                   | Original investment amount |                       | Shareholding at the end of the year |            |                 | Profit of the investee company<br>for the year | Investment income<br>recognized for the year | Remark       |
|----------------------------|--------------------------------|----------|----------------------------------------------------------------------------------------------------|----------------------------|-----------------------|-------------------------------------|------------|-----------------|------------------------------------------------|----------------------------------------------|--------------|
|                            |                                |          |                                                                                                    |                            |                       | Number of shares                    | Percentage | Carrying amount |                                                |                                              |              |
|                            |                                |          |                                                                                                    | End of the year            | Beginning of the year |                                     | (%)        |                 |                                                |                                              |              |
| The Company                | Fulin Plastic Industry Company | Vietnam  | Production and sale of rubber leathers, latex leathers, tapes, soft Leather, and non-woven fabric. | \$627,506                  | \$637,027             | 45,551,528                          | 100.00     | \$1,303,301     | \$317,913                                      | \$317,913                                    | Note 1 and 2 |

Note 1: It has already been written off during the preparation of the consolidated financial statements.

Note 2: At the end and the beginning of the year, the original investment amounted to approximately US\$22,670 thousand and US\$22,670 thousand, which were translated at the spot exchange rates of 27.68 and 28.10, respectively.

## Information on Major Shareholders

December 31, 2021

## Annex VI

[illegible]

Note: The information on major shareholders listed above is based on the information on shareholders holding more than 5% of the ordinary shares that have completed non-physical registration and delivery on the last business day of the current quarter as calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.