Stock Code：1459

LAN FA TEXTILE CO., LTD. and Subsidiaries

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

and Independent Auditors' Report

Address：5F.-5, No. 73, Sec. 1, Huanhe N. Rd., Taipei City

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Declaration Statement

December 31, 2021

March 21, 2022

According to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, for the year of 2021 (from January 1, 2021 to December, 2021), the affiliated companies of LAN FA TEXTILE CO., LTD. which should be included when preparing the Consolidated Financial Statements of Affiliated Enterprises are the same as those which shall be included in the Consolidated Financial Statements of the parent and subsidiaries prepared under No.10 of International Financial Reporting Standards, and all of the related information which shall be disclosed in the Consolidated Financial Statements of Affiliated Enterprises had been disclosed in the above Consolidated Financial Statements of the parent and subsidiaries. Therefore, separate Consolidated Financial Statements of Affiliated Enterprises are not prepared.

Declared herein

Company Name: LAN FA TEXTILE CO., LTD.

Responsible Person: YEH, CHING-TSE

Audit Report of Accountant

LAN FA TEXTILE CO., LTD.:

Audit Opinion

The consolidated balance sheets of LAN FA TEXTILE CO., LTD. and its subsidiaries (LAN FA TEXTILE GROUP) of December 31, 2021 and 2020, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (including the summary of major accounting policies) from January 1 to December 31, 2021 and 2020, have been checked by the accountant.

In the opinion of the accountant, the above consolidated financial statements have been prepared in all major respects in accordance with the financial report compilation standards for securities issuers and the international financial report standards, international accounting standards, interpretation and interpretation announcements approved and issued by the Financial Supervisory Commission, which are sufficient to express the consolidated financial position of LAN FA TEXTILE CO., LTD. and its subsidiaries on December 31, 2021 and 2020, and consolidated financial performance and consolidated cash flows from January 1 to December 31, 2021 and 2020.

Basis of Audit Opinion

The accountant had carried out the inspection in accordance with the rules for checking the financial statements and the generally accepted auditing standards. The accountant's responsibility under these standards will be further explained in the paragraph of responsibility for the accountant's examination of the consolidated financial statements. In accordance with the professional ethics of accountants, the personnel who are subject to the independence standards of the accounting firm have maintained their independence from LAN FA TEXTILE GROUP and performed other responsibilities of the standards. The accountant believes that sufficient and appropriate audit evidence has been obtained as the basis for expressing the audit opinion.

Key Audit Items

The key audit items mean the most important items for the inspection of the consolidated financial statements of LAN FA TEXTILE Group in 2021 according to the professional judgment of the accountant. These items have been responded to in the process of examining the consolidated financial statements as a whole and forming audit opinions, and the accountant does not comment on these items separately. The key items for checking the consolidated financial statements of LAN FA TEXTILE Group in 2021 are described as follows:

<u>Key check items: authenticity of sales revenue from major sales customers</u>

The net sales revenue to major customers of LAN FA TEXTILE GROUP was NT$1,568,823 thousands, accounting for 64% of the consolidated net sales revenue, which is significant to the consolidated financial statements, and is affected by the pressure of performance growth and competition in the industry, the main risk lies in the occurrence of revenue, because it is listed as a key audit matter.

Due to the inherent high risk of revenue recognition, the volume of sales transactions between LAN FA TEXTILE GROUP and customers under specific credit conditions is relatively low, but the transaction volume is high and there are many new sales customers. therefore, the accountant thinks the authenticity of sales income transactions between LAN FA TEXTILE Group and customers under the above specific credit conditions as a key check item.

For the accounting policy on income, please see Note 4 (11) for details.

By learning the above-mentioned sales transactions (processed silk) and other relevant internal control procedures, the accountant designs the relevant internal control check procedures in response to the risk, in order to confirm and evaluate the effectiveness of the internal control operations related to sales transactions conducted by major sales customers. The accountant also selects appropriate samples from the sales details of the above-mentioned sales customers to examine the original orders, external shipping documents or customer signing documents and confirm the recovery of payment; and to check whether the object has significant sales returns after the balance sheet date to confirm whether there is material misrepresentation of the sales revenue of the sales customers under specific credit conditions.

Other Items

LAN FA TEXTILE CO., LTD. has prepared individual financial reports for 2021 and 2020, which have been filed with the audit report issued by the accountant for reference.

Responsibilities of Management and Governance Unit to Consolidated Financial Statements

The responsibility of management is to prepare properly expressed consolidated financial statements in accordance with the financial reporting standards of securities issuers and the international financial reporting standards, international accounting standards, interpretation and interpretation announcements approved by the Financial Supervisory Commission, and to maintain the necessary internal controls relating to the preparation of the consolidated financial statements to ensure that the consolidated financial statements do not contain material misrepresentations caused by fraud or errors.

In preparing the consolidated financial statements, the responsibility of management also includes the assessment of the ability of LAN FA TEXTILE Group to continue to operate, the disclosure of related items, and the adoption of the accounting basis for continued operation, unless the management intends to liquidate the LAN FA TEXTILE Group or cease business, or there is no practical alternative other than liquidation or closure.

The governance unit of LAN FA TEXTILE Group (including the audit committee) is responsible for supervising the financial reporting process.

Responsibility of Accountant to Check Consolidated Financial Statements

The purpose of the accountant to check the consolidated financial statements is to obtain reasonable assurance as to whether there are material misrepresentations caused by fraud or error in the consolidated financial statements as a whole, and to issue an audit report. Reasonable certainty is a high degree of certainty, but audits carried out in accordance with generally accepted audit standards do not guarantee that material misrepresentations in the consolidated financial statements will be identified. False expression may be caused by fraud or error. It is considered significant if the individual amounts or remittances misrepresented can be reasonably expected to affect the economic decisions made by the users of the consolidated financial statements.

When checking in accordance with generally accepted audit standards, the accountant shall use professional judgment and maintain professional doubts. The accountant also performs the following work:

1. Identify and evaluate the risk of material misrepresentation resulting from fraud or error in the consolidated financial statements; design and implement appropriate measures to the assessed risks; and obtain sufficient and appropriate audit evidence to serve as the basis for audit opinions. Because fraud may involve collusion, forgery, deliberate omission, misrepresentation or internal control, the risk of material misrepresentation due to fraud is higher than that caused by error.
2. Acquire the necessary understanding of the internal controls related to the audit in order to design appropriate audit procedures in the circumstances, but not for the purpose of expressing the opinion on the effectiveness of internal controls over financial reporting.
3. Assess the appropriateness of accounting policies adopted by management and the reasonableness of accounting estimates and related disclosures.
4. Based on the audit evidence obtained, draw a conclusion as to whether there is significant uncertainty about the appropriateness of the management's adoption of the accounting basis of continuing operations and whether there is significant uncertainty about the events or circumstances that may give rise to significant doubts about the ability of the LAN FA TEXTILE GROUP to continue to operate. If the accountant considers that there is material uncertainty in such events or circumstances, he shall, in the audit report, remind users of the consolidated financial statements to pay attention to the relevant disclosures of the consolidated financial statements, or amend the audit opinion if such disclosures are inappropriate. The accountant's conclusion is based on the audit evidence obtained as of the date of the inspection report. However, future events or circumstances may cause the LAN FA TEXTILE GROUP have no ability to continue to operate.

5. Assess the overall expression, structure and content of the consolidated financial statements (including related notes), and whether there are related transactions and events expressed in the consolidated financial statements.
6. Obtain sufficient and appropriate audit evidence for the financial information of the constituent individuals within the group to express an opinion on the consolidated financial statements. The accountant is responsible for the guidance, supervision and implementation of group audit cases, and is responsible for forming group audit opinions.

The items that the accountant communicates with the governance unit include the scope and timing of the planned audit, as well as major audit findings (including significant deficiencies in internal controls identified in the audit process).

The accountant also provides the governance unit with a statement that the personnel of the firm to which the accountant belongs to the independence standard have complied with the professional ethics of accountants of the Republic of China, and communicate with the governance unit all relationships and other items (including relevant protective measures) that may be considered to affect the independence of accountants.

From the items of communication with the governance unit, the accountant decides on the key items for checking the consolidated financial statements of LAN FA TEXTILE Group in 2021. The accountant describes these items in the audit report, unless the law does not allow public disclosure of specific items, or in rare cases, the accountant decides not to communicate specific items in the audit report, because it can be reasonably expected that the negative impact of this communication is greater than the promotion of the public interest.

Deloitte & Touche

Accountant CHEN, CHIANG-HSUN	Accountant CHIH, JUI-CHUAN
Financial Supervisory Commission Audit No. Jin Guan Zheng Shen Tzu No. 1060023872	Financial Supervisory Commission Audit No. Jin Guan Zheng Shen Zi No. 1060023872

MARCH 21, 2022

<u>*Notice to Readers*</u>

Notice to Readers The accompanying Consolidated Financial Statements are intended only to present the Consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such Consolidated Financial Statements are those generally accepted and applied in the Republic of China. 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

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

		December 31, 2021		December 31, 2020	
Code	Asset	Amount	%	Amount	%
	Current Assets				
1100	Cash and Cash Equivalents (Note 6)	$ 698,161	11	$ 401,233	7
1110	Financial Assets Measured at Fair Value through Profit or Loss (Note 7)	1,991,307	31	1,205,815	20
1150	Notes Receivable - Non-related Parties (Note 4, 11 and 23)	25,014	-	26,714	1
1160	Notes Receivable - Related Parties (Note 4, 23 and 31)	1,002	-	174	-
1170	Accounts Receivable - Non-related Parties (Note 4, 11 and 23)	187,289	3	185,351	3
1180	Accounts Receivable - Related Parties (Note 4, 23 and 31)	1,202	-	677	-
1220	Income Tax Assets of Current Period (Note 4 and 25)	303	-	530	-
130X	Inventory (Note 4 and 12)	278,870	4	238,000	4
1410	Prepayment (Note 13)	32,938	1	69,840	1
1476	Other Financial Assets (Note 10)	131,554	2	137,719	2
1479	Other Current Assets	1,918	-	2,734	-
11XX	Total Current Assets	3,349,558	52	2,268,787	38
	Non-current Assets				
1517	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss (Note 4 and 8)	520,958	8	566,293	10
1535	Financial Assets Measured at Amortized Cost (Note 4 and 9)	72,329	1	74,951	1
1600	Immovable Property, Plant and Equipment (Note 4 and 15)	2,232,718	34	2,412,167	40
1755	Right-of-use Assets (Note 3, 4 and 16)	68,978	1	71,688	1
1760	Net Investment Property (Note 4 and 17)	197,479	3	537,498	9
1840	Deferred Income Tax Assets (Note 4 and 25)	7,576	-	9,379	-
1920	Refundable Deposits	41,187	1	41,188	1
1990	Other Non-current Assets	9,572	-	11,075	-
15XX	Total Non-current Assets	3,150,797	48	3,724,239	62
1XXX	Total Assets	$ 6,500,355	100	$ 5,993,026	100
Code	Liabilities and Equity				
	Current Liabilities				
2100	Short-term Loans (Note 18)	$ 789,426	12	$ 865,136	14
2110	Short-term Notes and Bills Payable (Note 18)	684,629	11	434,896	7
2120	Financial Liabilities Measured at Fair Value through Profit or Loss (Note 4 and 7)	-	-	220	-
2130	Contract Liabilities (Note 23)	12,551	-	44,647	1
2150	Notes Payable (Note 19)	23,420	-	6,614	-
2170	Accounts Payable (Note 19)	39,063	1	45,652	1
2219	Other Accounts Payable (Note 20)	150,787	2	149,014	3
2230	Income Tax Liabilities of Current Period (Note 4 and 25)	207	-	318	-
2280	Lease Liabilities (Note 4 and 16)	333	-	431	-
2320	Long-term Loans Due within One Year (Note 18)	-	-	85,523	1
2399	Other Current Liabilities	833	-	431	-
21XX	Total Current Liabilities	1,701,249	26	1,632,882	27
	Non-current Liabilities				
2540	Long-term Loans (Note 18)	1,297,670	20	1,300,000	22
2570	Deferred Income Tax Liabilities (Note 4 and 25)	14,659	-	14,957	-
2580	Lease Liabilities (Note 4 and 16)	28	-	361	-
2622	Long-term Accounts Receivable - Related Parties (Note 31)	8,055	-	87,721	2
2640	Net Defined Benefit Liabilities (Note 4 and 21)	6,175	-	6,515	-
2670	Other Non-current Liabilities	18,929	1	19,430	-
25XX	Total Non-current Liabilities	1,345,516	21	1,428,984	24
2XXX	Total Liabilities	3,046,765	47	3,061,866	51
	Interests Vested in the Owners of the Parent Company (Note 22)				
3110	Ordinary Share Capital	3,586,289	55	3,586,289	60
3200	Capital Reserves	233,758	4	219,285	4
	Accumulated Loss				
3320	Special Surplus Reserve	413,828	6	413,828	7
3350	Losses to Be Made up	(14,945)	-	(650,279)	(11)
3300	Total Accumulated Loss	398,883	6	(236,451)	(4)
3400	Other Interests	(236,695)	(4)	(271,457)	(4)
3500	Treasury Stock	(528,645)	(8)	(513,573)	(9)
31XX	Total Interests of the Owners of the Parent Company	3,453,590	53	2,784,093	47
36XX	Non-controlling Interests	-	-	147,067	2
3XXX	Total Interests	3,453,590	53	2,931,160	49
	Total Liabilities and Interests	$ 6,500,355	100	$ 5,993,026	100

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

Chairman: YEH, CHING-TSE President: WANG, FONG-YUEH In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

		Year ended December 31			
		2021		2020	
Code		Amount	%	Amount	%
4100	Operating Revenues (Note 4, 23 and 31)	$ 2,469,456	100	$ 1,783,734	100
5110	Operating Costs (Note 12 and 24)	2,366,793	96	1,869,696	105
5900	Operating Gross Profit (Losses)	102,663	4	(85,962)	(5)
	Operating Expenses (Note 24)				
6100	Selling Expenses	87,497	4	66,594	4
6200	General and administrative expenses	78,586	3	73,819	4
6000	Total Operating Expenses	166,083	7	140,413	8
6900	Net Operating Losses	(63,420)	(3)	(226,375)	(13)
	Non-operating income and expenses (Note 24)				
7100	Interest income	3,803	-	5,302	-
7010	Other income	84,266	4	139,245	8
7020	Other gains and losse	815,185	33	(50,227)	(3)
7050	Financial Costs (Note 31)	(40,141)	(2)	(49,907)	(3)
7000	Total non-operating income and expenses	863,113	35	44,413	3
7900	Net Pre-tax Profit (Losses)	799,693	32	(181,962)	(10)
7950	Income Tax (Expenses) Benefits (Note 4 and 25)	(38,221)	(1)	(1,745)	-
8200	Net Profit (Losses) for Current Year	761,472	31	(183,707)	(10)
	Other Consolidated Profits and Losses				

(Continued)

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

		Year ended December 31			
		2021		2020	
Code		Amount	%	Amount	%
8310	Other comprehensive loss that will not be reclassified to profit or loss				
8311	Actuarial gains (losses) on defined benefit plans (Note 21)	440	-	292	-
8316	Unrealized loss on valuation of financial assets at fair value through other comprehensive income	32,372	1	46,733	2
8349	Income tax related to non-reclassified items (Note 25)	(88)	-	(58)	-
8360	Other comprehensive loss that will be reclassified to profit or loss				
8361	Financial statements translation differences of foreign operations operating	(4,451)	-	(815)	-
8399	Income tax related to items that may be reclassified (Note 25)	890	-	163	-
8300	**Total other comprehensive loss for the year**	29,163	1	46,315	2
8500	**Total comprehensive income (loss) for the year**	($ 790,635)	(32)	($ 137,392)	(8)
	Profit (loss) attributable to:				
8610	Owners of the parent	$ 637,968	26	($ 184,312)	(10)
8620	Non-controlling Interests	123,504	5	605	-
8600		$ 761,472	31	($ 183,707)	(10)
	Total consolidated profit and loss is attributable to:				
8710	Owners of the parent company	$ 667,131	27	($ 137,997)	(8)
8720	Non-controlling Interests	123,504	5	605	-
8700		$ 790,635	32	($ 137,392)	(8)
	Loss per share (Note 26)				
	From the continuing business entity				
9710	Basic	$ 2.01		($ 0.58)	

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

Chairman: YEH, CHING-TSE President: WANG, FONG-YUEH In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of New Taiwan dollars)

January 1 to December 31, 2021 and 2020

		Equity attributable to owners of the parent (Note 22)										
		Capital			Retained Earnings (Accumulated Losses)		Other Equity Interest					
Code		Number of Shares (1,000 shares)	Amount	Capital surplus	Special reserve	Unappropriated retained earnings (Losses to be Made up)	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury Stock	Total	Non-controlling Interests	Total equity
A1	Balance at January 1, 2020	358,629	$3,586,289	$ 219,285	$ 413,828	(529,730)	(81,116)	(172,893)	(513,573)	2,922,090	146,462	3,068,552
D1	Net Losses of 2020	-	-	-	-	(184,312)	-	-	-	(184,312)	605	(183,707)
D3	Other Consolidated Profit and Loss after Tax of 2020	-	-	-	-	234	(652)	46,733	-	46,315	-	46,315
D5	Other Consolidated Profit and Loss of 2020	-	-	-	-	(184,078)	(652)	46,733	-	(137,997)	605	(137,392)
Q1	Subsidiaries deal with equity instruments measured at fair value through other consolidated profit and loss (Note 8)	-	-	-	-	63,529	-	(63,529)	-	-	-	-
Z1	Balance on December 31, 2020	358,629	3,586,289	219,285	413,828	($ 650,279)	($ 81,768)	($ 189,689)	($ 513,573)	$2,784,093	$ 147,067	$2,931,160
D1	Net Profit of 2021	-	-	-	-	637,968	-	-	-	637,968	123,504	761,472)
D3	Other Consolidated Profit and Loss after Tax of 2021	-	-	-	-	352	(3,561)	32,372	-	29,163	-	29,163
D5	Other Consolidated Profit and Loss of 2021	-	-	-	-	638,320	(3,561)	32,372	-	667,131	123,504	790,635
M5	Actual acquisition of part of the equity of the subsidiary (Note 27)	-	-	14,472	-	-	-	-	(15,072)	(600)	(267,606)	(268,206)
O1	Other	-	-	1	-	-	-	2,965	-	2,966	(2,965)	1
Q1	Deal with equity instruments measured at fair value through other consolidated profit and loss	-	-	-	-	(2,986)	-	2,986	-	-	-	-
Z1	Balance at December 31, 2021	358,629	$3,586,289	$ 233,758	$ 413,828	($ 14,945)	($ 85,329)	($ 151,366)	($ 528,645)	$3,453,590	$ -	$3,453,590

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

Chairman: YEH, CHING-TSE President: WANG, FONG-YUEH In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

Code		Year ended December 31 2021	2020
	Cash Flow from Operating Activities		
A10000	Net Profit (Losses) before Tax	$ 799,693	($ 181,962)
A20010	Income Expense Item		
A20100	Depreciation Expense	184,345	192,838
A20400	Measure the net loss of financial instruments at fair value through profit or loss (interests)	(419,075)	62,072
A20900	Financial Costs	40,141	49,907
A21200	Interest Revenues	(3,803)	(5,302)
A21300	Dividend Revenues	(68,740)	(113,362)
A22500	Dealing with losses of immovable property, plant and equipment	-	1,094
A23100	Gain on disposal of investment properties	(389,939)	-
A23700	Inventory depreciation loss	10,911	-
A24100	Unrealized loss of foreign currency exchange (interest)	(4,576)	(1,064)
A30000	Net changes in operating assets and liabilities		
A31115	Measure the financial assets at fair value through profit or loss (interests)	1,035	(474)
A31130	Notes Receivable	879	14,027
A31150	Accounts Receivable	(2,568)	(2,447)
A31200	Inventory	(52,056)	39,229
A31230	Prepayment	36,816	8,061
A31240	Other Current Capital	(54)	54
A32125	Contract Liabilities	(31,930)	(2,496)
A32130	Notes Payable	16,806	(2,421)
A32150	Account Payable	(6,581)	22,183
A32180	Other Accounts payables	4,512	(21,270)
A32230	Other Current Liabilities	402	(57)
A32240	Liabilities of Net Defined Benefits	100	117
A33000	Cash from Operating	116,318	58,727
A33500	Income Tax for Payment	(35,798)	(821)
AAAA	Net cash inflow from operating activities	80,520	57,906
	Cash flow from investment activities		
B00010	Measure the financial assets at fair value through profit or loss	-	(465,258)
B00020	Deal with the financial assets at fair value through other consolidated profit or loss	77,707	288,810

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LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

Code		Year ended December 31 2021	2020
B00040	Acquisition of financial assets measured at amortized cost	$ -	($ 78,760)
B00100	Acquisition of financial assets measured at fair value through profit or loss	(3,564,690)	(768,971)
B00200	Deal with financial assets measured at fair value through profit or loss	3,197,025	839,475
B02700	Purchase immovable property, plant and equipment (Note 28)	(846)	(1,005)
B03700	Refundable deposits added	-	(437)
B05500	Proceeds from disposal of investment properties	724,757	-
B06500	Other financial assets added	(2,306)	(31,548)
B06800	Other non-current assets decreased	1,503	643
B07500	Interest charged	4,649	4,753
B07600	Other dividends charged	69,240	112,862
BBBB	Net cash input (output) of investment activities	507,039	(99,436)
	Cash flow from fund-raising activities		
C00100	Short-term Loans added	5,358,397	5,590,898
C00200	Short-term Loans decreased	(5,451,694)	(5,814,272)
C00500	Increase in short-term notes payable	5,417,000	6,235,000
C00600	Decrease in short-term notes payable	(5,167,000)	(6,205,000)
C01600	Borrow the long-term loan	500,000	1,000,000
C01700	Repay the long-term loan	(585,708)	(733,684)
C03000	Refundable deposits (return) charged	(501)	(133)
C03500	Increase in financing payable	55,540	57,437
C03600	Decrease in financing payable	(58,152)	(60,014)
C03700	Long-term payables-related parties decrease	(79,464)	-
C04020	Principal repayment of lease	(431)	(459)
C05600	Interests paid	(40,339)	(53,705)
C05800	Non-controlling interest transactions	(268,206)	-
CCCC	Net cash inflow (outflow) from fund-raising activities	(320,558)	16,068
DDDD	The impact of exchange rate changes on cash and cash equivalents	29,927	(31,386)
EEEE	Net increase (decrease) of cash and cash equivalents	296,928	(56,848)
E00100	Cash and cash equivalents balance at the beginning of the year	401,233	458,081
E00200	Cash and cash equivalents balance at the end of the year	$ 698,161	$ 401,233

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

Chairman: YEH, CHING-TSE President: WONG, FONG-YUEH In-charge Accountant: LEE, HSUN-YI

LAN FA Textile Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 1 to December 31, 2021 and 2020

(Unless otherwise specified, the amount shall be in NT$ thousands)

I. LAN FA Textile Co., Ltd. (hereinafter referred to as parent company; for the parent company and entities controlled by the parent company, hereinafter referred to as merged company) was established in December 1972, originally engaged in the production and sale of knitted fabrics and has increased the production and sale business of flexible polyester textured yarn since 1985. At present, the production and sale of polyester textured yarn is the main source of operating revenue.

The parent company's shares have been listed and traded on the Taiwan Stock Exchange Corporation since October 26, 1994.

The consolidated financial statement is expressed in New Taiwan Dollar, the functional currency of the company.

Airdate and Procedure for the Approval of Financial Reports

The consolidated financial statement was approved by the board of directors on March 21, 2022.

III. Application of Newly Issued and Revised Standards and Interpretations

1.The International Financial Reporting Standards (IFRS)), International Accounting Standards((IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretation Committee (SIC) (hereinafter referred to as ”IFRSs”), which were approved and issued by the Financial Supervisory Commission (hereinafter referred to as FSC), have been applied for the first time, the application of the revised IFRSs approved and issued by the FSC will not result in the material change in the company's accounting policy.

2. Applicable IFRSs approved by the Financial Supervisory Commission (hereinafter referred to as” he FSC”) in 2022

Newly issued/amended/revised standards and explanations	Effective date on which IASB issued
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022(Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022(Note 2)
Amendments to IFRS 16 ” Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022(Note 3)
Amendments to IFRS 37 ” Onerous Contracts - Cost of	January 1, 2022(Note 4)

Newly issued/amended/revised standards and explanations	Effective date on which IASB issued
Fulfilling a Contract”	

Note 1: Amendments to IFRS 9 apply to exchanges or modification of terms of financial liabilities for annual reporting periods beginning after January 1, 2022; amendments to IAS 41 “Agriculture” apply to annual reporting periods beginning after January 1, 2022 Fair value measurement of IFRS 1; the amendments to IFRS 1 “First application of IFRSs” apply retrospectively to annual reporting periods beginning after January 1, 2022.

Note 2: This amendment applies to business combinations where the acquisition date begins after January 1, 2022, during the annual reporting period.

Note 3: This amendment applies to plant, property and equipment that is in the necessary location and condition for the way management expects to function after January 1, 2021.

Note 4: This amendment applies to contracts for which all obligations have not been fulfilled as of January 1, 2022.

As of the date of adoption of this consolidated financial report, the combined company continues to assess the impact of amendments to other standards and interpretations on its financial position and financial performance, and the relevant impact will be disclosed when the assessment is completed.

3. IFRSs that has been released by IASB but has not been approved and released by the FSC

Newly issued/amended/revised standards and explanations	Effective date on which IASB issued（Note1）
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undetermined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023（Note 2）
Amendments to IAS 8 “Definition of accounting estimates”	January 1, 2023（Note 3）
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023（Note 4）

Note1: Unless otherwise noted, the above newly issued/amended/revised guidelines or explanations shall take effect during the annual reporting period commencing after each date.

Note 2: This amendment is deferred for annual reporting periods beginning after January 1, 2023.

Note 3: This revision applies to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning after 1 January 2023.

Note 4: The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred tax on temporary differences in lease and decommissioning obligations on January 1, 2022.

As of the date of release of the consolidated financial statements, the merged company continues to evaluate the impact of the amendments to the above standards and explanations on the financial position and financial performance, which will be disclosed upon completion of the evaluation.

IV. Summary Statement of Major Accounting Policies

1. Compliance Statement

The consolidated financial statement is compiled in accordance with the financial report standards for securities issuers and the IFRSs approved and issued by the Financial Supervisory Commission.

2. Basis of Preparation

Except for financial instruments measured at fair value and net defined welfare liabilities based on the present value of determined welfare obligations less the fair value of plan assets, the consolidated financial statements is prepared on a historical cost basis.

Fair value measurement is divided into levels 1 to 3 according to the observability and importance of the relevant input values:

(1) Level 1 input value: refers to the quoted price in the active market for the same assets or liabilities available on the measurement date (unadjusted).

(2) Level 2 input value: refers to the observable input value of assets or liabilities directly (i.e., price) or indirectly (i.e. from price derivation) in addition to the quotation at level 1.

(3) Level 3 input value: refers to the unobservable input value of assets or liabilities.

3. Standards for distinguishing between current and non-current assets and liabilities

Current assets include:

(1) Assets held primarily for transaction purposes

(2) Assets expected to be realized within 12 months after the balance sheet date;

(3) Cash and cash equivalents (excluding those restricted for the exchange or discharge of liabilities more than 12 months after the balance sheet date).

Current liabilities include:

(1) Liabilities held primarily for transaction purposes;

(2) Liabilities due within 12 months after the balance sheet date, and

(3) Liabilities that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

Those that are not the above-mentioned current assets or liabilities shall be classified as non-current assets or non-current liabilities.

4. Basis of Consolidation

This consolidated financial statement includes the financial statements of the parent company and the entities (subsidiaries) controlled by the parent company. The financial statements of the subsidiaries have been appropriately adjusted to bring its accounting policies in line with those of the merged company. At the time of the preparation of the consolidated financial statements, all transactions, account balances, profits and losses between the various entities have been written off. The non-controlling interest of the subsidiaries is expressed separately from that of the owner of the parent company.

For the details, shareholding ratio and business items of subsidiaries, please refer to Table 7 and Table 8 of Note 14 and Note 35.

5. Foreign Currency

When the merged company prepares the consolidated financial statements, transactions in currencies (foreign currencies) other than the entity functional currency (the currency of the main economic environment in which the entity operates) shall be converted into functional currency records according to the exchange rate on the transaction date.

Foreign currency monetary items are converted at the closing exchange rate on each balance sheet date.

If the foreign currency non-monetary item measured at fair value is converted at the exchange rate on the date on which the fair value is determined, the exchange difference resulting from is listed as the current year's profit and loss, and only the fair value change is listed in other comprehensive profit and loss, the resulting exchange difference is listed in other comprehensive profit and loss.

Foreign currency non-monetary items measured at historical costs are converted at the exchange rate of the transaction date and are not re-converted.

Exchange differences resulting from delivery or conversion of monetary items are listed in profit and loss in the period in which they occur.

The functional currency of the parent company is NTD. At the time of preparing the consolidated financial statements, the assets and liabilities of the foreign operating institutions of the merged company are converted into NTD at the exchange rate of each balance sheet date. The items of profit and loss are converted at the current average exchange rate, and the resulting exchange differences are listed as other comprehensive profits and losses.

6. Inventory

Inventory includes raw materials, finished goods and work-in-process. Inventory is measured by the lower of cost and net realized value, and the comparison between cost and net realized value is based on individual items except for the same category of inventory.

7. Immovable Property, Plant and Equipment

Immovable property, plant and equipment are recognized as measured by cost and subsequently measured by the amount of cost less accumulated depreciation and accumulated impairment loss.

Except for self-owned land, remaining property, plant and equipment are depreciated on a straight-line basis over their useful lives, that is, the balance after the cost of the asset is equally apportioned less salvage value within the expected useful life of the asset, the estimated useful life, salvage value and depreciation methods are reviewed at least on the end date of each year. The impact of changes in accounting estimates is dealt with in a deferred manner.

When immovable property, plant and equipment are excluded, the related costs, accumulated depreciation and accumulated impairment are deducted from the account, and the resulting profit or loss is recognized in the current year's profit or loss according to its nature.

8. Investment Property

Investment property is immovable property held for the purpose of earning rent or capital appreciation or both. Investment property also includes land held that has not yet been decided on its future use.

The investment property is originally measured by cost (including transaction cost), and subsequently by the amount of cost less accumulated depreciation and accumulated impairment loss.

The straight-line basis provides for depreciation, that is, the balance after the average sharing of the asset cost less the salvage value over the expected useful life of the investment property.

The investment property shall be excluded when it is disposed of or permanently no longer used and it is not expected to generate future economic benefits from the disposition. Except for the amount of profit or loss arising from the investment immovable property, the difference between the net disposal price and the carrying amount of the asset shall be recognized as the profit or loss of the current year.

9. Asset Impairment

If an asset (mainly immovable property, plant and equipment, right-to-use assets and investment immovable property) has a significant impairment in book value measured by its relevant recoverable amount, the impairment shall be recognized as a loss.

10. Financial Instruments

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

When financial assets and financial liabilities are originally recognized, if financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured by fair value plus transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized as profit or loss.

(1) Financial Assets

The customary transactions of financial assets are recognized and excluded by accounting on the trading day.

1) Measure category

The types of financial assets held by the merged company are financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, investments in debt instruments at fair value through other consolidated income and equity instruments at fair value through other consolidated profit or loss.

A. Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are compulsory equity instruments not designated by the Company to be measured at fair value through other consolidated profit or loss.

A financial asset measured at fair value through profit or loss is measured at fair value, and the benefit or loss arising from its remeasurement (excluding any dividend or interest generated by the financial asset) is recognized as profit or loss.

B. Financial Assets Measured at Amortized Cost

If the merged company's investment financial assets meet the following two conditions at the same time, it will be classified as Financial Assets Measured at Amortized Cost：

a. Held under a business model for the purpose of holding financial assets to collect contractual cash flows; and

b. The terms of the contract generate cash flows on a specific date, which are solely interest on the payment of principal and the amount of principal outstanding.

Financial Assets Measured at Amortized Cost (Including cash and approximately equivalent cash, receivables at amortized cost and foreign corporate bonds) after original recognition, it is measured by the total carrying amount determined by the effective interest method less the amortized cost of any impairment loss, any gain or loss on foreign currency exchange is recognized as profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets.

Cash equivalents includes fixed time deposit and commercial promissory notes that are highly liquid within 3 months from the date of acquisition, can be converted into fixed cash at any time and have little risk of value change, and are used to meet short-term cash commitments.

C. Investment in equity instruments measured at fair value through other comprehensive gains and losses

At the time of the original recognition, the merged company may make an irrevocable option to invest in equity instruments that are not held for transaction and which are not recognized by the acquirer of the business merger as a consideration, and specify that they are measured at fair value through other consolidated profits and losses.

Equity instrument investments measured at fair value through other comprehensive profit and loss are measured at fair value, and subsequent fair value changes are reported in other comprehensive profit or loss and accumulated in other equity. At the time of investment disposition, the accumulated profit and loss is transferred directly to the retained surplus and is not reclassified as profit or loss.

Shares invested through other equity instruments measured at fair value through other consolidated income instruments are recognized in profit or loss when the right to receive money from the company is established, unless the dividend clearly represents the recovery of part of the investment cost.

2) Impairment of Financial Assets

Impairment losses on financial assets (including receivables and foreign corporate bonds) measured at amortized cost are assessed on each balance sheet date by the Consolidated Company based on expected credit losses.

Accounts receivables are recognized as allowance losses according to the expected credit losses during the period of existence. Other financial assets first assess whether the credit risk has increased significantly since the original recognition, and if it has not increased significantly, the allowance loss will be recognized as the expected credit loss of 12 months, and if it has increased significantly, the allowance loss will be recognized as the expected credit loss during the period of existence.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from the possible default of the financial instrument within 12 months after the reporting date, the expected credit loss during the period of existence represents the expected credit loss of all possible default events of the financial instrument during the expected period.

Impairment losses on all financial assets are reduced by allowance accounts, but allowance losses on investments in debt instruments measured at fair value through other consolidated gains and losses are recognized in other consolidated income and do not reduce their carrying amounts.

3) Exclusion of Financial Assets

The merged company excludes financial assets only when contractual rights from the cash flow of financial assets expire, or when financial assets have been transferred and almost all risks and rewards of ownership of such assets have been transferred to other enterprises.

When Financial Assets Measured at Amortized Cost is excluded as a whole, the difference between it carrying amount and the consideration received is recognized as profit or loss. When investments in debt instruments measured at fair value through other comprehensive income are excluded as a whole, the difference between the carrying amount and the total sum of any accumulated gain or loss recognized in other comprehensive income or loss is recognized in profit or loss. When investment in equity instruments measured at fair value through other comprehensive profit or loss is excluded as a whole, the accumulated profit or loss is transferred directly to retained earnings and is not reclassified as profit or loss.

(2) Financial Liabilities

Financial liabilities are measured at amortized cost using the effective interest method.

The merged company excludes financial liabilities only when its obligations are discharged, cancelled or due. When financial liabilities are excluded, the difference between the carrying amount and the consideration paid (including any transferred non-cash assets or liabilities) is recognized as profit or loss.

(3) Derivative Instruments

The derivative instruments entered into by the company include forward foreign exchange contracts to manage the exchange rate risk of the company.

When a derivative contract is signed, it is originally recognized at fair value, and subsequently measured at fair value on the balance sheet date, and the benefit or loss arising from subsequent measurement is directly included in profit or loss. When the fair value of a derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

11. Revenue Recognition

After identifying the performance obligations in the client contract, the merged company apportion the transaction price among the performance obligations and recognize the income when the performance obligations are met.

Revenue from Commodity Sales

The income from commodity sales mainly comes from the sales of polyester processed silk. At the time of delivery of the goods, the customer has the right to set the price and use of the goods and has the primary responsibility for resale, and bears the risk of obsolescence of the goods. The company recognizes the income and accounts receivable at that time.

12. Lease

The merged company evaluates whether the contract belongs to (or includes) the lease on the date of establishment of the contract.

(1) The merged company is the lessor

When the lease terms transfer almost all risks and rewards attached to the ownership of the asset to the lessee, they are classified as financial leases. All other leases are classified as operating leases.

(2) The merged company is the lessee

Except for lease payments for low-value target asset leases and short-term leases with applicable exemptions, which are recognized as expenses during the lease term on a straight-line basis, other leases are recognized as right-to-use assets and lease liabilities at the lease commencement date.

The right-to-use asset is originally measured at cost (including the original measurement amount of the lease liability), followed by the cost less accumulated depreciation and accumulated impairment losses, and adjusts the remeasurement of the lease liability. The right-to-use assets are separately expressed in the entity's balance sheet.

The straight-line basis of the right-to-use asset is depreciated earlier from the start of the lease to the expiration of the useful life or the expiration of the lease period.

The lease liability is originally measured by the present value of the lease payment (including fixed payment and substantial fixed payment). If the implied interest rate of the lease is easily determined, the lease payment shall be discounted at that rate. If the interest rate is not easy to determine, use the lessee to increase the borrowing rate.

Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is apportioned over the lease period. If a change in the lease period results in a change in the future leases payment, the merged company measures the lease liability and adjusts the use right asset relatively, but if the carrying amount of the use right asset has been reduced to zero, the re-measure amount is recognized in profit or loss. Lease liabilities are expressed separately in the entity's balance sheet.

13. Borrowing Cost

The borrowing cost directly attributable to the acquisition, construction or production of an asset (that is, assets that must take a considerable period of time to reach their intended use or sale status) that meets the requirements shall be part of the cost of the asset until almost all necessary activities for the intended use or sale of the asset have been completed.

The investment income earned by a specific loan from a temporary investment prior to the occurrence of capital expenditure that meets the requirements shall be deducted from the borrowing cost that meets the capitalization standards.

Apart from the above, all other borrowing costs are recognized as profit or loss in the current year.

14. Government Subsidy

The government subsidy shall be recognized only if it is reasonably confident that the company will comply with the conditions attached to the government subsidy and will be able to receive the subsidy.

Government subsidy related to revenue are recognized as other income on a systematic basis during the period in which the related costs are recognized as expenses by the merged company.

If the government subsidy is used to compensate for expenses or losses that have been incurred, or for the purpose of providing immediate financial support to the merged company and there are no future related costs, it will be recognized as profit or loss during the period in which it can be collected.

15. Employee Benefit

(1) Short-term Employee Benefit

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

(2) Post-retirement Benefit

To determine that the pension allocated to the retirement scheme is recognized as an expense during the period of service provided by the employee.

To determine the defined benefit cost of a welfare retirement plan (including service cost, net interest and remeasurement) is an actuary based on the projected unit welfare method. Service costs (including current service costs and net interest on net defined benefit liabilities are recognized as employee welfare expenses when incurred.

Remeasures (including actuarial gains and losses and compensation for plan assets after deducting interest) are recognized in other consolidated profit or loss and included in other equity at the time of occurrence and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability is the appropriation deficit of the defined welfare retirement plan.

16. Income Tax

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

(1)Current Income Tax

The merging company determines the current income (loss) in accordance with the laws and regulations formulated by each income tax reporting jurisdiction and calculates the payable (recoverable) income tax accordingly.

The addition of income tax to the undistributed surplus calculated in accordance with the provisions of the income tax law shall be recognized in the annual resolution of the shareholders' meeting.

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

(2) Deferred Income Tax

Deferred income tax is calculated on the basis of the temporary difference between the carrying amount of assets and liabilities and the tax basis on which taxable income is calculated. Deferred income tax liabilities are generally recognised for all taxable temporary differences, while deferred income tax assets are recognised when taxable income tax credits are likely to be used to deduct temporary differences.

Taxable temporary differences related to investment subsidiaries are recognized as deferred income tax liabilities, except where the merged company can control the point of reversal of temporary differences and such temporary differences are likely not to reverse in the foreseeable future. Temporary differences related to such investments can be deducted only if they are likely to have sufficient taxable income to achieve temporary differences and are recognized as deferred income tax assets to the extent that they are expected to be reversed in the foreseeable future.

The carrying amount of deferred income tax assets is re-examined on each balance sheet date, and the carrying amount is reduced for those who are no longer likely to have sufficient taxable places to recover all or part of the assets. Assets that were not previously recognized as deferred income tax assets will also be re-examined on each balance sheet date, and in the future, it is likely to generate tax deductible, increase the book amount.

Deferred tax assets and liabilities are measured at the tax rates that will be expected when the liabilities are settled or the assets are realized, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax liabilities and assets are measured to reflect the tax consequences of the manner 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

Current and deferred income tax are recognized as profit or loss, but current and deferred income tax related to items recognized in other consolidated profit or loss are recognized as other consolidated profit or loss.

V. Main Sources of Uncertainty about Major Accounting Judgments', Estimates and Assumptions

When adopting accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for those who are difficult to obtain relevant information from other sources. The actual results may differ from the estimates.

The merged company takes the economic impact of COVID-19 epidemic into consideration of material accounting estimates, and management will continue to review the estimates and basic assumptions. If the revision of the estimate affects only the current period, it is recognized in the current period of the revision; if the revision of the accounting estimate affects both the current and future periods, it is recognized in the current and future periods of the revision.

Major sources of uncertainty in estimates and assumptions

Impairment of immovable property, plant and equipment

The impairment of immovable property, plant and equipment is assessed on the basis of the recoverable amount of the assets (i.e. the higher of the fair value of the assets less the cost of sale and the value of their use). Changes in market prices or future cash flows will affect the recoverable amount of these assets and may cause the company to recognize additional impairment losses or reverse recognized impairment losses.

VI. Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on Hand and Revolving Funds	$ 170	$ 170
Bank Check and Current Deposit	188,762	351,023
Cash Equivalents		
Commercial Papers	38,025	50,040
Time deposits with an original maturity of less than 3 months	471,204	-
	$ 698,161	$ 401,233

The market interest rates for current deposits, commercial promissory notes and time deposits with an original maturity of less than 3 months at the balance sheet date are as follows:

	December 31, 2021	December 31, 2020
Bank Current Deposit	0.001%～0.35%	0%～0.35%
Commercial Papers	0.24%～0.25%	0.22%～0.24%
Time deposits with an original maturity of less than 3 months	0.25%~0.38%	-

VII. Financial instruments measured at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial Assets－Current		
Compulsory measurement at fair value through profit or loss		
Derivatives (no hedging specified)		
－Forward foreign exchange contract	$ 218	$ 543
Non-derivative Financial Assets		
－ Domestic Listed (OTC) Stocks	1,979,274	1,205,272
－Unlisted (OTC) Stocks	11,815	-
	$ 1,991,307	$ 1,205,815
Financial Liabilities - Current		
Hold for Transaction		
Derivative Instruments (Not specified hedge)		
－Forward Foreign Exchange Transactions	$ -	$ 220

The main purpose of the merged company's forward foreign exchange transactions in 2021 and 2020 is to avoid risks arising from exchange rate fluctuations in foreign currency assets and liabilities. The forward foreign exchange contracts held by the merged company do not meet the effective hedging conditions, so hedging accounting is not applicable. The company incurred profits of NT$ 1,035 thousands and losses of NT$ 474 thousands in derivatives trading in 2021 and 2020 respectively.

The unexpired forward foreign exchange contracts which are not subject to hedging accounting on December 31, 2021 and December 31, 2020 are as follows:

December 31, 2021

	Currency Code	Time to Maturity	Contract Amount (NT$ thousands)
Forward Exchange contract	USD to RMB	January 14, 2022 to March 25, 2022	USD 2,100/RMB 13,455

December 31, 2020

	Currency Code	Time to Maturity	Contract Amount (NT$ thousands)
Forward Exchange Sold	USD to TWD	February 5, 2021	USD 600
	USD to RMB	January 28, 2021 to April 28, 2021	USD 2,100 /RMB 13,827

VIII. Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss

	December 31, 2021	December 31, 2020
Non-current		
Equity Instrument Investment	$ 520,958	$ 566,293

1. Equity Instrument Investment

	December 31, 2021	December 31, 2020
Non-current		
Domestic Investment		
Listed (OTC) Stocks	$ 352,110	$ 429,890
Unlisted (OTC) Stocks	168,848	136,403
Subtotal	$ 520,958	$ 566,293

The merged company invests for medium-and long-term strategic purposes and expects to make a profit through long-term investment. The management of the merged company considers that the short-term fair value fluctuations of these investments are inconsistent with the aforementioned long-term investment planning if they are included in profit or loss, and therefore choose to designate these investments to be measured at fair value through other comprehensive profits and losses.

In 2021 and 2020, the merged company adjusted its investment position to diversify the risk and sold listed (OTC) shares at fair value of NT$ 77,770 thousands NT$ 278,810 thousands, while related other interests-unrealized benefits of financial assets measured at fair value through other comprehensive loss of NT$ 2,986 thousands and profit of NT$ 63,529 thousands were transferred to retained earnings.

For the unrealized evaluation profit and loss information of financial assets measured at fair value through other comprehensive profit and loss, please refer to Note 22 (5).。

IX. Financial Assets Measured at Amortized Cost

	December 31, 2021	December 31, 2020
Non-current		
Foreign Investment		
Corporate Bonds	$ 72,329	$ 74,951

In September 2020, the merged company obtained the international bonds from Saudi Arabian government with the face value of NT$ THOUSAND thousands and bonds from Apple with the face value of NT$ THOUSAND thousands at a premium of NT$ 78,760 thousands. The maturity dates are October 2046 and February 2047 respectively. The coupon rates are 4.50% and 4.25% respectively, and the effective interest rates are 3.03% and 2.37% respectively.

The merged company only invests in debt instruments whose credit rating is above investment grade (inclusive) and the derogation assessment is of low credit risk, and the credit rating information is provided by independent rating agencies. The merged company continues to track external rating information to monitor changes in credit risk of invested debt instruments, and to review other information such as bond yield curve and significant information on debtors, in order to assess whether the credit risk of investment in debt instruments has increased significantly since the original recognition.

The merged company takes into account the current financial position of the debtors and the forecast of the prospects of their industries to measure the expected credit loss of 12 months or the duration of the investment in debt instruments. As of December 31, 2021 and 2020, the company assessed that the credit risk of the debtor was low and had sufficient capacity to repay the cash flow of the contract, so the expected credit loss was not mentioned.

X. Other Financial Assets

	December 31, 2021	December 31, 2020
Time deposits with an original maturity of more than 3 months	$ 131,554	$ 137,719

Market interest rates of other financial assets at the balance sheet date are as follows:

	December 31, 2021	December 31, 2020
Time deposits with an original maturity of more than 3 months	0.3%~0.54%	0.54%~1.65%

XI. Notes Receivable, Accounts Receivable and Overdue Receivables

	December 31, 2021	December 31, 2020
Notes Receivable		
Measured at Amortized Cost		
Total Book Value	$ 25,253	$ 26,953
Minus: Allowance for Loss	(239)	(239)
	$ 25,014	$ 26,714
Accounts Receivable		
Measured at Amortized Cost		
Total Book Value	$ 190,020	$ 188,082
Minus: Allowance for Loss	(2,731)	(2,731)
	$ 187,289	$ 185,351
Overdue Receivables	$ 16,950	$ 16,950
Minus: Allowance for Loss	(16,950)	(16,950)
	$ -	$ -

1. Notes Receivable

Notes receivable at amortized cost

The credit period for the sale of goods by the merged company is 30 to 90 days.

The merged company recognizes the allowance loss of notes receivable according to the expected credit loss during the period of existence. The expected credit loss during the period of existence is calculated by using the reserve matrix, which takes into account the customer's past default record and current financial situation, industrial economic situation, as well as GDP forecast and industry outlook. As the merged company's historical experience of credit loss shows that there is no significant difference in the type of loss among different customer groups, the reserve matrix does not further distinguish the customer base and only sets the expected credit loss rate on the basis of the number of days overdue in receivables.

There is no change in the allowance loss in 2021 and 2020, and the merged company measures the allowance loss of notes receivable according to the reserve matrix as follows:

December 31, 2021

	Not Overdue
Expected Credit Loss Rate	0.95%
Total Book Value	$ 25,253
Allowance for Loss (Expected Credit Loss During the Period of Existence)	(239)
Amortized Cost	$ 25,014

December 31, 2020

	Not Overdue
Expected Credit Loss Rate	0.89%
Total Book Value	$ 26,953
Allowance for Loss (Expected Credit Loss During the Period of Existence)	(239)
Amortized Cost	$ 26,714

On December 31, 2021 and 2020, the balances of notes receivable for more than 90 days were NT$ 5,763 thousands and NT$ 1,069 thousand respectively, both of which were banker's acceptance drafts.

2. Accounts Receivable

Accounts receivable measured at amortized cost

The credit period for the sale of goods by the merged company is 30 to 90 days.

The merged company recognizes the allowance loss of accounts receivable based on the expected credit loss during the period of existence. The expected credit loss during the period of existence is calculated by using the reserve matrix, which takes into account the customer's past default record and current financial situation, industrial economic situation, as well as GDP forecast and industry outlook. As the merged company's historical experience of credit loss shows that there is no significant difference in the type of loss among different customer groups, the reserve matrix does not further distinguish the customer base and only sets the expected credit loss rate on the basis of the number of days overdue in receivables.

There is no change in the allowance loss in 2021 and 2020, and the merged company's allowance loss on accounts receivable measured by the provision matrix is as follows:

December 31, 2021

	Not Overdue
Expected Credit Loss Rate	1.44%
Total Book Value	$ 190,020

Allowance for Loss (Expected Credit Loss During the Period of Existence)	(2,731)
Amortized Cost	$ 187,289

December 31, 2020

	Not Overdue
Expected Credit Loss Rate	1.45%
Total Book Value	$ 188,082
Allowance for Loss (Expected Credit Loss During the Period of Existence)	(2,731)
Amortized Cost	$ 185,351

3. Overdue Receivables

The merged company transfers overdue accounts receivable with customer complaints to demand collection and provides for 100% allowance for loss. There is no change in the allowance for 2021 and 2020.

XII. Inventory

	December 31, 2021	December 31, 2020
Finished Products	$ 158,685	$ 128,701
Work In Process	19,184	19,992
Raw Materials	101,001	89,307
	$ 278,870	$ 238,000

The operating costs related to inventory in 2021 and 2020 were NT$2,366,793 thousands and NT$ 1,869,696 thousands respectively.

Operating costs in 2021, including inventory depreciation loss of NT$ 10,911 thousands.

XIII.Prepayment

	December 31, 2021	December 31, 2020
Payment in advance	$ 22,203	$ 57,277
Excess VAT paid	4,323	8,089
Other prepaid expenses	6,412	4,474
	$ 32,938	$ 69,840

XIV. Subsidiaries

Subsidiaries listed in the consolidated financial statements

The main preparation for this consolidated financial statement is as follows:

Name of Investment Company	Name of subsidiaries	Nature of Business	Percentage of Equity held December 31, 2021	Percentage of Equity held December 31, 2020
Parent Company	KING LAN FA Industrial Co., Ltd. (hereinafter referred to as KING LAN FA Company)	Trading of cloth and textiles, entrusting builders to build residential rental and sale business	100.00	65.19

	LAN JIE Development Co., Ltd. (hereinafter referred to as LAN JIE Company)	General Investment	100.00	100.00
	LAN TSE Investment Co., Ltd. (hereinafter referred to as LAN TSE Company)	General Investment	100.00	100.00
	LAN CHING Development Co., Ltd. (hereinafter referred to as LAN CHING Company)	General Investment	100.00	100.00
	LIAN HSIN Investment Co., Ltd. (hereinafter referred to as LIAN HSIN Company)	General Investment	100.00	100.00
	LAN FA HOLDING LIMITED	International Investment Industry	100.00	100.00
LAN FA HOLDING LIMITED	MARYLAND INVESTMENT LIMITED	International Investment Industry	98.98	98.98
LAN TSE Company	SPRING INVESTMENT LIMITED	International Investment Industry	100.00	100.00
SPRING INVESTMENT LIMITED	MARYLAND INVESTMENT LIMITED	International Investment Industry	1.02	1.02
MARYLAND INVESTMENT LIMITED	Hangzhou LAN FA TEXTILE CO., LTD（hereinafter referred to as Hangzhou LAN FA Company）	Stretch Yarn, Polyester Textured Yarn	100.00	100.00

On September 17, 2021, the merged company acquired 34.81% of the non-controlling interests of KING LAN FA Company, resulting in an increase in the shareholding ratio from 65.19% to 100%. Please refer to Note 27.

XV. Property, plant and equipment－Owner-occupation

	Land	Buildings and Structures	Machine	Hydroelectric Equipment	Transportation Equipment	Other Equipment	Advance Payment for Equipment	Total
Cost								
Balance on January 1, 2021	$ 659,395	$ 815,786	$2,926,977	$ 248,599	$ 10,647	$ 132,529	$ -	$4,793,933
Add	-	-	-	-	-	182	644	846
Disposal	-	(5,686)	(43,820)	-	(102)	(783)	-	(50,391)
Reclassification	-	-	-	-	-	99	(99)	-
Net Exchange Difference	-	(570)	(4,101)	(471)	(24)	(280)	-	(5,446)
Balance on December 31, 2021	$ 659,395	$ 809,530	$2,879,056	$ 248,128	$ 10,521	$ 131,747	$ 565	$4,738,942
Accumulated Depreciation								
Balance on January 1, 2021	$ -	$ 293,101	$1,886,195	$ 161,869	$ 8,308	$ 32,293	$ -	$2,381,766
Disposal	-	(5,686)	(43,820)	-	(102)	(783)	-	(50,391)
Depreciation Expense	-	16,729	138,619	16,108	607	4,567	-	176,630
Net Exchange Difference	-	(98)	(1,354)	(258)	(17)	(54)	-	(1,781)
Balance on December 31, 2021	$ -	$ 304,046	$1,979,640	$ 177,719	$ 8,796	$ 36,023	$ -	$2,506,224
Balance on December 31, 2021	$ 659,395	$ 505,484	$ 899,416	$ 70,409	$ 1,725	$ 95,724	$ 565	$2,232,718

Cost

Balance on January 1, 2020	$ 659,033	$ 813,212	$2,849,411	$ 228,268	$ 15,028	$ 142,897	$ 189,099	$4,896,948
Add	362	-	-	-	11	415	226	1,014
Disposal	-	-	(111,812)	-	(4,500)	(12,245)	-	(128,557)
Reclassification	-	-	169,515	18,061	-	276	(187,852)	-
Net Exchange Difference	-	2,574	19,863	2,270	108	1,186	(1,473)	24,528
Balance on December 31, 2020	$ 659,395	$ 815,786	$2,926,977	$ 248,599	$ 10,647	$ 132,529	$ -	$4,793,933
Accumulated Depreciation								
Balance on January 1, 2020	$ -	$ 275,543	$1,844,686	$ 142,819	$ 11,652	$ 37,902	$ -	$2,312,602
Disposal	-	-	(111,812)	-	(4,500)	(11,151)	-	(127,463)
Depreciation Expense	-	16,988	144,211	17,511	1,067	5,303	-	185,080
Net Exchange Difference	-	570	9,110	1,539	89	239	-	11,547
Balance on December 31, 2020	$ -	$ 293,101	$1,886,195	$ 161,869	$ 8,308	$ 32,293	$ -	$2,381,766
Net Amount on December 31, 2020	$ 659,395	$ 522,685	$1,040,782	$ 86,730	$ 2,339	$ 100,236	$ -	$2,412,167

The immovable property, plant and equipment of the merged company are determined on the basis of cost and depreciated on the basis of the following durable years:

Housing and Building	
Main Building of Factory	20 to 56 years
Electromechanical Power Equipment	45 to 51 years
Engineering System	15 to 16 years
Machinery Equipment	5 to 16 years
Hydroelectric Equipment	5 to 26 years
Transportation Equipment	3 to 5 years
Other Equipment	2 to 10 years

For information on the mortgages of immovable property, plant and equipment provided to the treasury of various financial banks as financing guarantees, please refer to Note 32.

XVI. Lease Agreement

1. Right-of-use Assets

	Land	Housing and Building	Other Equipment	Total
Cost				
Balance on January 1, 2021	$ 75,162	$ 1,328	$ 375	$ 76,865
Net Exchange Difference	(170)	-	-	(170)
Balance on December 31, 2021	74,992	1,328	375	76,695

Accumulated Depreciation				
Balance on January 1, 2021	4,254	650	273	5,177
Depreciation	2,115	325	102	2,542
Net Exchange Difference	(2)	-	-	(2)
Balance on December 31, 2021	6,367	975	375	7,717
	$ 68,625	$ 353	$ -	$ 68,978
Cost				
Balance on January 1, 2020	$ 74,396	$ 1,328	$ 375	$ 76,099
Net Exchange Difference	766	-	-	766
Balance on December 31, 2020	75,162	1,328	375	76,865
Accumulated Depreciation				
Balance on January 1, 2020	2,105	325	137	2,567
Depreciation	2,089	325	136	2,550
Net Exchange Difference	60	-	-	60
Balance on December 31, 2020	4,254	650	273	5,177
	$ 70,908	$ 678	$ 102	$ 71,688

The land is the land use right of the merged company located in Hangzhou City, Zhejiang Province, and its use term is 50 years according to the contract, from May 18, 2004 to May 18, 2054.

Except for the depreciation charges recognized above, there was no significant sublease or impairment of the merged company's right-to-use assets in 2021 and 2020

For the mortgage information provided by the right-of-use assets to various financial banks as financing guarantees, please refer to Note 32.

2. Lease Liabilities

	December 31, 2021	December 31, 2020
Book Amount of Lease Liabilities		
Current	$ 333	$ 431
Non-current	$ 28	$ 361

The discount rate of lease liabilities was 1.56% in 2021 and 2020.

3. Other Lease Information

	2021	2020
Short-term Lease Expense	$ 1,523	$ 1,427
Total Cash (Outflow) from Leases	($ 1,963)	($ 1,902)

The merged company chooses to apply the recognition exemption to other equipment leases that meet the requirements of short-term leases and does not recognize the relevant right-to-use assets and lease liabilities for such leases.

XVII. Investment Property

	Land	Housing and Building	Total
Cost			
Balance on January 1, 2021	$ 430,684	$ 240,636	$ 671,320
Disposal	(334,818)	-	(334,818)
Net Exchange Difference	-	(33)	(33)
Balance on December 31, 2021	$ 95,866	$ 240,603	$ 336,469
Accumulated Depreciation			
Balance on January 1, 2021	$ -	$ 133,822	$ 133,822
Depreciation Expense	-	5,173	5,173
Net Exchange Difference	-	(5)	(5)
Balance on December 31, 2021	$ -	$ 138,990	$ 138,990
Balance on December 31, 2021	$ 95,866	$ 101,613	$ 197,479
Cost			
Balance on January 1, 2020	$ 430,684	$ 240,485	$ 671,169
Net Exchange Difference	-	151	151
Balance on December 31, 2020	$ 430,684	$ 240,636	$ 671,320
Accumulated Depreciation			
Balance on January 1, 2020	$ -	$ 128,580	$ 128,580
Depreciation Expense	-	5,208	5,208
Net Exchange Difference	-	34	34
Balance on December 31, 2020	$ -	$ 133,822	$ 133,822
Net Amount on December 31, 2020	$ 430,684	$ 106,814	$ 537,498

The fair value of investment real estate on December 31, 2021 is NT$ 820,045 thousands, of which NT$ 802,685 thousands is evaluated by the independent evaluation company, and another NT$ 17,360 thousands is evaluated by the management.

The fair value of investment real estate on December 31, 2020 is NT$ 1,220,586 thousands, of which NT$ 1,203,226 thousands is evaluated by the independent evaluation company, and another NT$ 17,360 thousands is evaluated by the management.

KIN LAN FA, a subsidiary of the merged company, signed a contract with Rida Construction Co., Ltd. in April 2021 to sell its investment real estate in Kaohsiung. The aforementioned assets have been transferred and the net disposal price is NT$ 724,757 thousands n (the disposal price is NT$735,810 thousands). The net amount of NT$ 11,053 thousands after deducting related expenses) was recognized as a disposal benefit of NT$ 389,939 thousands.

With the exception of self-owned land, the investment immovable property of the merged company shall be depreciated on a cost basis and on a straight-line basis according to the following durable years:

Housing and Building	
Main Building of Factory	41 to 56 years
Office Building	28 years
Engineering System	26 to 31 years

The total amount of lease payments to be received in the future for leasing investment immovable property under operating leases is as follows:

	December 31, 2021	December 31, 2020
First Year	$ 17,142	$ 19,581
Second Year	5,975	15,290
Third Year	-	5,000
Fourth Year	-	-
Fifth Year	-	-
More Than 5 Years	-	-
	$ 23,117	$ 39,871

All the investment property of the merged company are self-owned. For the mortgage information provided by investment property to various financial banks as financing guarantees, please refer to Note 32.

XVIII. Loan

1. Short-term Loans

	December 31, 2021	December 31, 2020
Unsecured Loan (Note 32)		
－Bank Loan	$ 255,143	$ 304,064
Unsecured Loan		
－Bank Loan	534,283	561,072
	$ 789,426	$ 865,136

The interest rates for short-term loans were 0.94%-4.05% and 0.94%-4.1% on December 31, 2021 and 2020 respectively.

2. Short-term Notes and Bills Payable

	December 31, 2021	December 31, 2020
Commercial Paper Payable	$ 685,000	$ 435,000
Minus: Discount of Short-term Notes Payable	(371)	(104)
	$ 684,629	$ 434,896

Details of outstanding short-term notes are as follows:

December 31, 2021

Guarantee / Acceptance Agency	Face Amount	Discounted Amount	Carrying Amount	Collateral
Commercial Paper Payable				
Dah Chung Bills Finance Cop.	$150,000	$ 89	$ 149,911	NA
China Bills Finance Cop.	130,000	3	129,997	NA
Mega Bills Finance Cop.	125,000	95	124,905	NA
Taiwan Cooperative Bills Finance Cop.	100,000	113	99,887	NA
Grand Bills Finance Cop.	100,000	16	99,984	NA
International Bills Finance Cop	80,000	55	79,945	NA
	$ 685,000	$ 371	$ 684,629	

December 31, 2020

Guarantee / Acceptance Agency	Face Amount	Discounted Amount	Carrying Amount	Collateral
Commercial Paper Payable				
Mega Bills Finance Corp.	$ 150,000	$ 44	$ 149,956	NA
China Bills Finance Corp.	130,000	13	129,987	NA
Dah Chung Bills Finance Corp.	100,000	34	99,966	NA
Taiwan Cooperative Financial Holding Co., Ltd.	50,000	7	49,993	NA
Grand Bills Finance Corp.	5,000	6	4,994	NA
	$ 435,000	$ 104	$ 434,896	

The market interest rate range of short-term notes payable at the balance sheet date is as follows:

	December 31, 2021	December 31, 2020
Interest Rate on Short-term Bills Payable	0.30%～0.76%	0.25%～0.78%

3. Long-term Loans

	December 31, 2021	December 31, 2020
Secured Loan (Note 32)		
Bank Loan	$ 700,000	$ 800,000
Unsecured Loan		
Bank Loan	597,670	585,523
Minus: Recognized as long-term loans due within one year	-	(85,523)
	$ 1,297,670	$ 1,300,000

The long-term loans of the merged company include:

Nature	December 31, 2021	December 31, 2020

Secured Loan of Mega International	From November 27, 2017 to November 27, 2022, the principal will be repaid once in 5 years.	$ -	$ 300,000
Commercial Bank	From September 15, 2020 to September 5, 2025, the principal will be repaid once in 5 years.	300,000	300,000
	From December 15, 2021 to December 15, 2026, the principal will be repaid once in 5 years.	300,000	-
Loan in Credit of Mega International Commercial Bank	From August 4, 2013 to August 8, 2023, the principal will be repaid once	83,378	85,523
Secured Loan of Taiwan Cooperative Bank	From December 7, 2020 to December 7, 2023, the principal will be repaid once in 3 years. the company has paid in full in advance.	-	200,000
	From December 28, 2021 to December 28, 2024, the principal will be repaid once in 3 years.	100,000	-
Unsecured Loan of Taiwan Cooperative Bank	From July 3, 2020 to July 3, 2024, the principal and interest will be amortized equally on a monthly basis in 24 installments from the third year.	198,443	250,000
Unsecured Loan of Taiwan Cooperative Bank	From July 3, 2020 to July 3, 2025, the principal and interest will be amortized equally on a monthly basis in 36 installments from the third year.	215,849	250,000
Unsecured Loan of Bank SinoPac	From December 3, 2021 to December 3, 2023, repay the principal quarterly after one year.	100,000	-
		1,297,670	1,385,523
Minus: Long-term loans due within one year		-	(85,523)
Total Bank Loan		$1,297,670	$1,300,000

The interest rates for long-term loans were 1.20%～1.46% and 1.2%～1.53% respectively on December 31, 2021 and 2020.

XIX. Notes Payable and Accounts Payable

	December 31, 2021	December 31, 2020
Notes Payable－From Business	$ 23,420	$ 6,614
Accounts Payable－From Business	$ 39,063	$ 45,652

1. Notes Payable

The notes payable by the merged company are mainly notes issued for the payment of materials and general expenses.

2. Accounts Payable

The average credit period is 30 days and the merged company has a financial risk management policy to ensure that all payments are repaid within the pre-agreed credit period.

XX. Other Accounts Payable

	December 31, 2021	December 31, 2020
Financing Funds Payable	$ 55,586	$ 57,015
Salary, Bonus and Employee Remuneration Payable	45,571	36,364
Utilities Payable	13,774	16,111
Taxes Payable	7,454	6,593
Interests Payable	2,836	2,767
Business Taxes Payable	661	2,128
Others	24,905	28,036
	$ 150,787	$ 149,014

The financing funds payable on December 31, 2021 was financed by the merged company to a certain company, and the principal will be repaid in a lump sum due in October 2022 at an annual interest rate of 0.4%. The financing funds payable on December 31, 2020 was financed by the merged company to a certain company, and the principal will be repaid in a lump sum due in September 2021 at an annual interest rate of 0.4%.

XXI. Post-retirement Benefits Plan

1. Determine the allocation plan

The pension system of the" Labor Pensions Regulation" applied by the parent company is a defined retirement scheme administered by the government, which transfers the pension to the individual account of the Labor Insurance Bureau according to 6% of the employee's monthly salary.

The employees of the subsidiaries of the merged company in the China are members of the retirement benefit plan operated by the government of the China. The subsidiary is required to allocate a specific proportion of salary costs to the retirement benefit plan to provide funds for the plan. The obligation of the merged company for this government-operated retirement benefit plan is only to allocate the specific amount.

LIAN HSIN Company, LAN TSE Company, LAN CHING Company, LAN JIE Company, KING LAN FA Company, LAN FA HOLDING LIMITED, SPRING INVESTMENT LIMITED and MARYLAND INVESTMENT LIMITED had no retirement contributions in 2021 and 2020.

2. Determine the benefit plan

The pension system administered by the parent company in accordance with the" Labor Standards Law" is a defined benefit retirement plan managed by the government. The payment of employee pension is based on the length of service and the average salary of 6 months prior to the approved retirement date. The company shall allocate a pension of 5% of the employee's total monthly salary to the Labor Retirement Reserve Supervision Board to deposit in the special account of the Bank of Taiwan in the name of the committee. Before the end of the year, if the estimated balance of the special account is insufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be allocated once before the end of March of the next year. The special account is managed by the Labor Fund Operation Bureau of the Ministry of Labor, and the merged company has no right to affect the investment management strategy.

The amount of defined benefit plans included in the consolidated balance sheet is listed as follows:

	December 31, 2021	December 31, 2020
Current Value of Determined Welfare Obligations	$ 37,757	$ 39,187
Fair Value of Plan Assets	(31,582)	(32,672)
Allocation Deficit	6,175	6,515
Net Determined Welfare Liabilities	$ 6,175	$ 6,515

Changes in net defined benefit liabilities are as follows:

	Current Value of Determined Welfare Obligations	Fair Value of Plan Assets	Net Determined Welfare Liabilities
Balance on January 1, 2020	$ 37,682	($ 30,992)	$ 6,690
Service Cost			
Current Service Cost	315	-	315
Interest Expense (Revenues)	283	(234)	49
Recognized in profits and losses	598	(234)	364

Number of Re-measurement			
Compensation for Planned Assets (except for the amount included in net interest)	-	(1,199)	(1,199)
Actuarial Losses-Changes in Demographic Assumptions	1,242	-	1,242
Actuarial Benefit-Experience Adjustment	(335)	-	(335)
Recognized in other consolidated profits and losses	907	(1,199)	(292)
Employees' Allocation	-	(247)	(247)
Balance on December 31, 2020	$ 39,187	($ 32,672)	$ 6,515

	Current Value of Determined Welfare Obligations	Fair Value of Plan Assets	Net Determined Welfare Liabilities
Balance on January 1, 2021	$ 39,187	($ 32,672)	$ 6,515
Service Cost			
Current Service Cost	323	-	323
Interest Expense (Revenues)	147	(123)	24
Recognized in profits and losses	470	(123)	347
Number of Re-measurement			
Compensation for Planned Assets (except for the amount included in net interest)	-	(450)	(450)
Actuarial Losses-Changes in Demographic Assumptions	508	-	508
Actuarial Benefit-Experience Adjustment	(498)	-	(498)
Recognized in other consolidated profits and losses	10	(450)	(440)
Employees' Allocation	-	(247)	(247)
Benefits Payment	(1,910)	1,910	-
Balance on December 31, 2021	$ 37,757	($ 31,582)	$ 6,175

The amount of defined welfare plans recognized in profit and loss by function is summarized as follows:

	2021	2020
Operating Costs	$ 26	$ 27
Selling Expenses	28	30
Administrative Expenses	293	307
	$ 347	$ 364

As a result of the pension system of the" Labor Standards Law", the merged company is exposed to the following risks:

(1) Investment risk: through self-use and entrusted operation, the Labor Fund Operation Bureau of the Ministry of Labor invests the labor pension fund in domestic (foreign) equity securities and debt securities and bank deposits respectively, however, the distribution amount of the merged company's planned assets is calculated at a rate not lower than the 2-year time deposit interest rate of the local bank.

(2) Interest rate risk: the decrease in the interest rate of government bonds/corporate bonds will increase the present value of defined welfare obligations, but the return on debt investment of planned assets will also increase, which will partially offset the impact of net defined welfare liabilities.

(3) Salary risk: the calculation for determining the present value of benefit obligations is based on the future salary of the plan member. Therefore, the increase in the salary of plan members will increase the present value of determining welfare obligations.

The present value of the merged company's determined welfare obligations is carried out by a qualified actuary and the major assumptions for measuring the date are as follows:

	December 31, 2021	December 31, 2020
Discount Rate	0.500%	0.375%
Expected Rate of Increase in Salary	2.000%	2.000%

If there are reasonably possible changes in the material actuarial assumptions, all other assumptions remain the same; the amount of increase (decrease) in the present value of the determined welfare obligations is as follows:

	December 31, 2021	December 31, 2020
Discount Rate		
Increased 0.25%	($ 724)	($ 787)
Decreased 0.25%	$ 749	$ 815
Expected Rate of Increase in Salary		
Increased 0.25%	$ 726	$ 788
Decreased 0.25%	($ 705)	($ 765)

As actuarial assumptions may be related to each other, only a single assumption is unlikely to change, so the above sensitivity analysis may not reflect the actual changes in the present value of welfare obligations.

	December 31, 2021	December 31, 2020
Expected amount to be allocated within 1 year	$ 252	$ 252
Average expiration period of determined welfare obligations	7.8 years	8.2 years

XXII. Rights and Interests

1. Equity

Common Stock

	December 31, 2021	December 31, 2020
Authorized Shares (thousands shares)	470,000	470,000
Authorized Equity	$ 4,700,000	$ 4,700,000
Shares Issued and Fully Received (thousands shares)	358,629	358,629
Equity Issued	$ 3,586,289	$ 3,586,289

The issued common shares have a par value of NT$ 10 each and each share has the right to vote and receive dividends.

2. Capital Reserves

	December 31, 2021	December 31, 2020
May be used to cover losses, distribute cash or allocate equity		
Share Premium	$ 53,822	$ 53,822
The difference between the actual acquisition price of the subsidiary's equity and the book value	14,472	
Only be used to cover losses		
Treasury Stock Trading	165,463	165,463
Other	1	-
	$ 233,758	$ 219,285

The above treasury stock transactions are the shares held by the parent company by the subsidiary, and the cash dividends paid by the parent company to the subsidiary company are classified as" Capital Reserve-Treasury Stock Transaction" in accordance with the provisions of (91) Ji Mi Zi No. 340 Letter.

The capital reserve can be used to make up for losses. The excess of shares issued in excess of par value may also be used to issue cash or allocate share capital when there is no loss in the company, subject to a certain percentage of paid-in share capital each year.

3. Retention of surplus and dividend policy

(1) The dividend policy of the articles of association of the parent company is as follows:

1) If there is a surplus in the company's annual final accounts, in addition to paying taxes in accordance with the law, it shall first make up for the losses in previous years, and then set aside 10% of its balance as the statutory surplus reserve and deduct the surplus reserve, the remaining surplus shall be added to the accumulated undistributed surplus of previous years as distributable surplus, which shall be retained by the board of directors according to the operational needs, if the net profit after tax is positive for the current period. The shareholders' dividends and bonuses shall be distributed at not less than 10% of the surplus available for distribution in the current period, and the proposed distribution shall be distributed by resolution of the shareholders meeting.

2) The parent company is in the business growth stage. The dividend policy for the next three years is based on the company's capital expenditure and operating turnover needs, and a balanced dividend policy is adopted, and the dividend is paid in principle in a parallel manner of stock and cash. The annual cash dividend shall not be less than 10% of the shareholder dividend and dividend distributed in the current year, but if the cash dividend is less than NT$ 0.1 per share, the stock dividend shall be paid.

(2) Statutory surplus reserve

The statutory surplus reserve shall be set aside until its balance reaches the total paid-in share capital of the company. The statutory surplus reserve can be used to make up for losses. When there is no loss in the company, the part of the statutory surplus reserve exceeding 25% of the total paid-in share capital may be allocated in cash in addition to the allocated share capital.

(3) Special Surplus Reserve

1) Deduction of other rights and interests

When distributing the surplus, the parent company must, in accordance with the law, set aside a special surplus reserve for the balance of other equity deductions (including the unrealized gains and losses of financial commodities and the exchange differences translated into the financial statements of foreign operating institutions). If the amount of the reduction in other rights and interests is subsequently reduced, the reduced amount may be transferred from the special surplus reserve to the unallocated surplus.

2) Treasury Stock

The parent company shall not distribute the special surplus reserve of the same amount according to the proportion of shares held by the subsidiary at the end of the period due to the difference between the market price and the book value of the shares held by the subsidiary at the end of the period. If there is a rebound in the subsequent evaluation, the amount may be reversed to the special surplus reserve according to the shareholding ratio.

(4) The estimated basis and actual allotment of the remuneration of the employees and directors of the company can be found in Note 24 (8).

4. Special Surplus Reserve

	2021	2020
Balance at Beginning of Year	$ 413,828	$ 413,828
Rotation of Special Reserve	-	-
Balance at Ending of Year	$ 413,828	$ 413,828

The special surplus reserve system includes the accumulated translation adjustment transferred to retained earnings of NT$ 130,176 thousands when the parent company first adopted IFRSs; the special surplus reserve is added to the difference in the net deduction of other shareholders' equity incurred in previous years; and the special surplus reserve is calculated on the basis of the proportion of shares held by subsidiaries at the end of the period due to the difference in the market price of the shares held by the parent company below the book value.

5. Other Equity Items

(1) Exchange difference in the translation of financial statements of foreign operating institutions

	2021	2020
Balance at Beginning of Year	($ 81,768)	($ 81,116)
Other Consolidated Profits and Losses in the Current Year		
Translation Difference of Foreign Operating Institutions	(3,561)	(652)
Balance at Ending of Year	($ 85,329)	($ 81,768)

(2) Unrealized evaluation of profit or loss of financial assets measured at fair value through other consolidated profits and losses

	2021	2020
Balance at Beginning of Year	($ 189,689)	($ 172,893)
Other Consolidated Profits and Losses in the Current Year		
unrealized Profit or Loss		
Equity Instrument	32,372	46,733

Accumulated profit and loss of the instrument of disposal of equity is transferred to the retained earnings.	2,986	(63,529)
Other	2,965	
Balance at Ending of Year	($ 151,366)	($ 189,689)

6. Treasury shares

The purchase of the shares of the parent company by the subsidiaries of the parent company in order to safeguard the credit of the parent company and the rights and interests of shareholders shall be regarded as the purchase of treasury shares.

The relevant information about the shares held by the subsidiary at the balance sheet date is as follows:

December 31, 2021

	Proportion of Shares Held by the Parent Company	Shareholding（thousand shares）	Amount of Treasury Stock（NT$ thousand）	Market Price（NT$ thousand）
KING LAN FA Company	100.00	4,176	$ 43,297	$ 53,665
LAN TSE Company	100.00	19,511	238,841	250,726
LIAN HSIN Company	100.00	11,535	170,139	148,223
LAN CHING Company	100.00	5,922	76,368	76,092
		41,144	$ 528,645	$ 528,706

December 31, 2020

	Proportion of Shares Held by the Parent Company	Shareholding（thousand shares）	Amount of Treasury Stock（NT$ thousand）	Market Price（NT$ thousand）
KING LAN FA Company	65.19	4,176	$ 28,225	$ 24,584
LAN TSE Company	100.00	19,511	238,841	176,191
LIAN HSIN Company	100.00	11,535	170,139	104,160
LAN CHING Company	100.00	5,922	76,368	53,472
		41,144	$ 513,573	$ 358,407

The shares held by a subsidiary of the parent company shall be treated as treasury shares, and the rights of the general shareholders shall be the same as those of the general shareholders, except that they may not participate in the cash capital increase of the parent company and have no right to vote.

XXIII. Revenue

	2021	2020
Revenue of Customer Contract		
Revenue of Commodity Sales	$ 2,464,084	$ 1,775,289
Other operating income	5,372	8,445
	$ 2,469,456	$ 1,783,734

1. Contract Balance

	December 31, 2021	December 31, 2020	January 1, 2020
Receivables	$ 214,507	$ 212,916	$ 224,315
Contract Liabilities			
Revenue of Commodity Sales	$ 12,551	$ 44,647	$ 46,834

The change in contract liabilities mainly comes from the difference between the time when the performance obligation is satisfied and the time when the customer pays.

The amount of performance obligations that have been met at the beginning of the year as income in the current period is as follows:

	2021	2020
Contract Liabilities from the Beginning of Year		
Commodity Sales	$ 39,300	$ 44,289

2. Segmentation of Customer Contract Revenue

For the detail information of customer contract income, please refer to Note 36.

XXIV. Net Profit (Loss)

The net profit (loss) includes the following items:

1. Interest Revenues

	2021	2020
Corporate Bonds	$ 2,011	$ 677
Bank Deposits	1,792	4,625
	$ 3,803	$ 5,302

2. Other Revenues

	2021	2020
Rent Revenue	$ 15,526	$ 14,661
Dividend Revenue	68,740	113,362
Government Subsidy Revenue	-	11,222
	$ 84,266	$ 139,245

According to the guidelines for applying for salary and working capital subsidies for business and service industries affected by COVID-19, the merged company applies to the Industry Bureau of the Ministry of Economic Affairs for salary and working capital subsidies, collecting a total of NT$ 11,222 thousands in 2020, which is recognized as government subsidy revenue.

3. Other Revenues and Losses

	2021	2020
Net benefit of financial instruments at fair value through profit or loss	$ 419,075	($ 62,072)
Disposal of investment property interests	389,939	-
Net foreign exchange profit	7,818	$ 13,430
Dispose of Losses of Immovable Property, Plant and Equipment	-	(1,094)
Others	(1,647)	(491)
	$ 815,185	($ 50,227)

Net foreign exchange profit (loss)

	2021	2020
Total Profits of Foreign Currency Exchange	$ 70,925	$ 136,046
Total Losses of Foreign Currency Exchange	(63,107)	(122,616)
Net Profit and Loss	$ 7,818	$ 13,430

4. Financial Costs

	2021	2020
Interest of Bank Loan	$ 36,274	$ 45,727
Interest of Commercial Paper Payable	3,291	3,344
Interest on financing	210	480
Interest on loans from related parties	357	340
Interest of Lease Liabilities	9	16
	$ 40,141	$ 49,907

5. Depreciation

Depreciation expenses are summarized by function

	2021	2020
Operating Costs	$ 166,787	$ 173,246
Operat205896ing Expenses	12,662	14,661
	$ 179,449	$ 187,907
Other profit and loss-other	$ 4,896	$ 4,931

6. Investment Property Profit and Loss

	2021	2020
Rent Revenue of Investment Property	$ 18,228	$ 18,765
Direct Operating Expense of Investment Property	(8,441)	(9,025)
	$ 9,787	$ 9,740

7. Employees' Benefit Expenses

	2021	2020
Retirement Benefits		
Determined Allocation Plan	$ 3,183	$ 3,231
Determined Benefit Plan	347	364
	3,530	3,595
Other Employee Benefits		
Salary Expense	162,755	142,923
Other Personnel Expense	26,874	22,302
	189,629	165,225
Total Employees' Benefit Expense	$ 193,159	$ 168,820
Summary by Function		
Operating Costs	$ 133,298	$ 117,765
Operating Expenses	59,861	51,055
	$ 193,159	$ 168,820

8. Employee Remuneration and Director Remuneration

The parent company allocates employee remuneration and director remuneration at the pre-tax benefit of 1.5% and not more than 2.5% respectively before deducting the distribution of employee and director remuneration in the current year, provided that the amount of compensation shall be retained in advance when the parent company still has accumulated losses.

The parent company still has accumulated losses to be made up for in 2021 and 2020, so employee remuneration and director remuneration are not estimated.

If there is any change in the amount after the release of the annual consolidated financial statements, it shall be dealt with according to the change in accounting estimates and adjusted to be recorded in the following year.

The board of directors of the parent company held meetings on March 21, 2022 and March 22, 2021, and decided not to pay employee remuneration and director remuneration in 2021 and 2020.

The parent company did not allocate employee remuneration and director remuneration in 2020 and 2019, which is no different from the amount recognized in the financial reports of 2020 and 2019.

For information on the remuneration of employees and directors as decided by the board of directors of the parent company, please check on the" Market Observation Post System "of the Taiwan Stock Exchange Corporation.

XXV. Income Tax

1. The main components of income tax expenses (benefits) recognized as profit and loss

	2021	2020
Current Income Tax		
Arising in the Current Year	$ 414	$ 451
Surcharge of undistributed surplus	78	71
Adjustments in the Previous Years	13	-
Land Value Increment Tax	35,409	-
Deferred Income Tax		
Arising in the Current Year	2,307	1,223
Income Tax Expenses Recognized in the Profit or Loss	$ 38,221	$ 1,745

The adjustments between accounting income and current income tax expenses (benefits) for 2021 and 2020 are as follows:

	2021	2020
Net Profit (Loss) before Tax of Continuing Business Unit	$ 799,693	($ 181,962)
Income Tax Benefits Calculated at Statutory Tax Rate for Net Loss before Tax	$ 159,939	($ 36,393)
Deferred income tax impact of subsidiary earnings	41,654	(16,250)
Benefit that cannot be deducted in tax from the loss or addition of fees	(95,449)	1,015
Profits and Losses on Securities Transaction and Dividend Revenues	(46,961)	(12,096)
Tax for Undistributed Surplus	78	71
Land Value Increment Tax	35,409 -	-
Unrecognized Deductions for Temporary Differences	5,184	15,742
Deduction of unrecognized loss	16,293	49,687
Exemption Earnings	(77,939)	(31)
Adjustment of Current Income Tax Expenses of Previous Years in Current Year	13	-
Income Tax Expenses Recognized in Profit and Loss	$ 38,221	$ 1,745

2. Income Tax Recognized in Other Consolidated Profit or Loss

	2021	2020
Deferred Income Tax		
Arising in the Current Year		
- Exchange Difference in the Translation of Financial Statements of Foreign Operating Institutions	$ 890	$ 163
- Number of Re-measurement of Determined Benefits	(88)	(58)
	$ 802	$ 105

3. Current income tax assets and liabilities

	December 31, 2021	December 31, 2020
Current Income Tax Assets		
Tax Refund Receivable	$ 303	$ 530
Current income tax liability		
Income tax payable	$ 207	$ 318

4. Deferred Income Tax Assets and Liabilities

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

2021

	Balance at Beginning of Year	Recognized in the Profit and Loss	Recognized in Other Consolidated Profit and Loss	Balance at Ending of Year
Deferred Income Tax Assets				
Temporary Differences				
Deferred Unrealized Benefits	$ 1,926	($ 379)	$ -	$ 1,547
Determined Benefit Retirement Plan	1,347	20	(88)	1,279
Exchange difference of foreign operating institutions	2,854	-	592	3,446
Unrealized Exchange Loss	3,252	(1,948)	-	1,304
	$ 9,379	($ 2,307)	$ 504	$ 7,576
Deferred Income Tax Liabilities				
Temporary Differences				
Exchange Balance of Foreign Operating Institutions	$ 14,957	$ -	(298)	$ 14,659

2020

Deferred Income Tax Assets	Balance at Beginning of Year	Recognized in the Profit and Loss	Recognized in Other Consolidated Profit and Loss	Balance at Ending of Year
Temporary Differences				
Deferred Unrealized Benefits	$ 2,306	($ 380)	$ -	$ 1,926
Determined Benefit Retirement Plan	1,381	24	(58)	1,347
Exchange difference of foreign operating institutions	1,701	-	1,153	2,854
Unrealized Exchange Loss	4,119	(867)	-	3,252
	$ 9,507	($ 1,223)	$ 1,095	$ 9,379

Deferred Income Tax Liabilities	Balance at Beginning of Year	Recognized in the Profit and Loss	Recognized in Other Consolidated Profit and Loss	Balance at Ending of Year
Temporary Differences				
Exchange Balance of Foreign Operating Institutions	$ 13,967	$ -	$ 990	$ 14,957

5. Deductible temporary differences deducted from deferred income tax assets not recognized in the consolidated balance sheet and pre-tax amounts of unused losses

	December 31, 2021	December 31, 2020
Deductible Temporary Difference		
Temporary Differences		
Investment Losses Recognized by Equity Method	$ 1,300,822	$ 1,276,368
Allowance for Loss	17,243	17,152
Loss of Inventory Falling Price	5,618	3,421
Others	2,550	3,372
	$ 1,326,233	$ 1,300,313
Loss deduction	$ 658,359	$ 739,860

6. As of December 31, 2021, the amount of losses deducted by the merged company for subsequent annual taxable income is as follows:

Maturity Year	LAN FA	LAN CHING	LAN TSE	Hangzhou LAN FA
2022	$ -	$ -	$ -	$ 61,334
2023	-	-	377	196,001
2024	-	-	-	171,450
2025	-	-	-	81,887
2026	-	-	45	56,003

2027	-	-	-	-
2028	-	-	-	-
2029	19,463	-	-	-
2030	71,787	-	-	-
2031	-	6	6	-
	$ 91,250	$ 6	$ 428	$ 566,675

7. Approval of Income Tax

The declaration of income tax of profit-oriented business of the parent company, KING LAN FA Company, LAN JIE Company, LAN TSE Company, LAN CHING Company and LIAN HSIN Company have also be examined and approved by the tax collection authorities as of 2019.

There are no significant outstanding tax litigation cases established in overseas subsidiaries.

XXVI. Loss per Share

The net loss and the weighted average number of common shares used to calculate the loss per share are as follows:

Net loss for the year	2021	2020
Net loss attributable to the owner of the parent company	$ 637,968)	($ 184,312)
Net loss used to calculate basic loss per share	$ 637,968	($ 184,312)

Number of Shares Unit: thousand shares

Unit: thousand shares	2021	2020
Weighted Average Number of Common Shares Used to Calculate Basic Earnings Per Share	317,485	317,485

XXVII. Equity transactions with non-controlling interests

The merged company acquired its 34.81% shareholding in KIN LAN FA company on September 17, 2011, resulting in an increase in the shareholding ratio from 65.19% to 100%.

Since the above transactions did not change the control of the merged company over these subsidiaries, the merged company was treated as an equity transaction.

	KIN LAN FA company
consideration paid	($268,206)
The carrying amount of the subsidiary's net assets is calculated based on the change in relative equity and the amount to be transferred out of non-controlling interests	267,606
Subsidiary holds stock of parent company	15,072
Equity trade difference	$ 14,472

Equity Transaction Difference Adjustment Account	
Capital reserve - the difference between the actual acquisition price of the subsidiary's equity and the book value	$ 14,472

XXVIII. Cash Flow Information

1. Partial Cash Transaction

The merged company conducted the following cash transaction investment activities in 2021 and 2020:

	2021	2020
Pay part of the cash for immovable property, plant and equipment		
Purchase immovable property, plant and equipment	$ 846	$ 1,014
Interest capitalization amount	-	-
Net change in payables on equipment (under other payables)	-	(9)
Pay the cash	$ 846	$ 1,005

2. Changes in Liabilities from Fund-raising Activities

2021

	Initial balance	Cash Flow	Non-cash change Exchange Rate influence	Balance at the end of the year
Short-term Loans	$ 865,136	($ 93,297)	$ 17,587	$ 789,426
Short-term notes payable	434,896	249,733	-	684,629
Long-term loan	1,385,523	(85,708)	(2,145)	1,297,670
Refundable Deposits	6,050	(501)	-	5,549
Long-term payables -related parties	87,721	(79,464)	(202)	8,055
Lease Liabilities	792	(431)	-	361
Financing payable	57,015	(2,612)	1,183	55,586
	$2,837,133	($ 12,280)	$ 16,423	$2,841,276

2020

	Initial balance	Cash Flow	Non-cash change Exchange Rate influence	Balance at the end of the year
Short-term Loans	$1,106,063	($ 223,374)	($ 17,553)	$ 865,136
Short-term notes payable	404,898	29,998	-	434,896
Long-term loan	1,124,191	266,316	(4,984)	1,385,523
Refundable Deposits	6,180	(133)	3	6,050
Long-term payables - related parties	95,023	(2,710)	(4,592)	87,721
Lease Liabilities	1,251	(459)	-	792
Financing payable	60,337	(2,577)	(745)	57,015
	$2,797,943	$ 67,061	($ 27,871)	$2,837,133

XXIX. Capital Risk Management

The merged company carries out capital management to ensure that all enterprises in the group can maximize shareholder compensation by optimizing the balance of debt and equity on the premise of continued operation.

On the advice of the key management, the merged company has balanced its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new debts or repaying old debts.

XXX. Financial Instruments

1. Fair Value Information - Financial Instruments Not Measured by Fair Value

Except as stated below, the management of the merged company considers that the carrying number of financial instruments not measured at fair value approaches their fair value.

December 31, 2021

	Book Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial Assets					
Financial Assets Measured at Amortized Cost（Note）					
- Foreign Corporate Bonds	$ 72,329	$ -	$ 66,257	$ -	$ 66,257

December 31, 2020

	Book Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial Assets					
Financial Assets Measured at Amortized Cost（Note）					
- Foreign Corporate Bonds	$ 74,951	$ -	$ 71,880	$ -	$ 71,880

2. Fair Value Information - Financial Instruments Measured at Fair Value on a Repetitive Basis

(1) Level of Fair Value

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Profit or Loss				
- Domestic Listed (OTC) Stocks	$1,979,274	$ -	$ -	$1,979,274
- Unlisted (OTC) Stocks	11,815	-	-	11,815
- Derivative Instruments	-	218	$ -	218
	$1,991,089	$ 218	$ -	$1,991,307
Financial assets measured at fair value through other consolidated profits and losses				
Equity Instrument Investment				
- Domestic Listed (OTC) Stocks	$ 352,110	$ -	$ -	$ 352,110
- Domestic Unlisted (OTC) Stocks	-	-	168,848	168,848
Total	$ 352,110	$ -	$ 168,848	$ 520,958

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Profit or Loss				
- Domestic Listed (OTC) Stocks	$1,205,272	$ -	$ -	$1,205,272
- Derivative Instruments	-	543	$ -	543

	$1,205,272	$ 543	$ -	$1,205,815
Financial Assets Measured at Fair Value through Profit or Loss				
- Derivative Instruments	$ -	$ 220	$ -	$ 220
Financial assets measured at fair value through other consolidated profits and losses				
Equity Instrument Investment				
- Domestic Listed (OTC) Stocks	$ 429,890	$ -	$ -	$ 429,890
- Domestic Unlisted (OTC) Stocks	-	-	136,403	136,403
Total	$ 429,890	$ -	$ 136,403	$ 566,293

There was no transfer between level 1 fair value measurement and level 2 fair value measurements in 2021and 2020.

(2) Regulation of financial instruments measured at level 3 fair value

2021

	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	
	Equity Instrument	Debt Instrument
Balance at Beginning of Year	$ 136,403	$ -
Recognized in Other Consolidated Profits and Losses	32,445	-
Redemption	-	-
Balance at Ending of Year	$ 168,848	$ -

2020

	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	
	Equity Instrument	Debt Instrument
Balance at Beginning of Year	$ 131,513	$ 10,000
Recognized in Other Consolidated Profits and Losses	4,890	-
Redemption	-	(10,000)
Balance at Ending of Year	$ 136,403	$ -

(3) Evaluation Technology and Input Value of Level 2 Fair Value Measurement

Derivative instruments-forward foreign exchange contracts adopt the discounted cash flow method, which is discounted at the observable forward rate at the end of the period and the exchange rate set in the contract.

(4) Evaluation Technology and Input Value of Level 3 Fair Value Measurement

1) The investment of domestic unlisted (OTC) stocks adopts the simulated listed company law and the adjusted net assets method, taking into account liquidity depreciation and uncontrolled equity depreciation to determine the value of the target company. Significant unobservable input values are liquidity depreciation and uncontrolled equity depreciation.

2) Bond Investment-Financial bonds use discounted expected cash flows to calculate the present value of expected profits from holding this investment. The significant unobservable input value is mainly the expected cash flow.

3. Types of Financial Instruments

	December 31, 2021	December 31, 2020
Financial Assets		
Measure the financial assets at fair value through profit or loss (interests)	$ 1,991,307	$ 1,205,815
Financial Assets Measured at Amortized Cost（Note 1）	1,159,311	870,397
Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss		
Equity Instrument Investment	520,958	566,293
Debt Instrument Investment	-	-
Financial Liabilities		
Financing liabilities measured at fair value through profit or loss	-	220
Measured at Amortized Cost（Note 2）	2,944,860	2,935,468

Note 1：The balance includes cash and equivalent cash, financial assets measured at amortized cost, other financial assets, notes receivable, notes receivable-related parties, accounts receivable, accounts receivable-related parties and other receivables (other current assets) and deposits and other financial assets measured at amortized cost.

Note 2：The balance includes financial liabilities measured at amortized cost such as short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables, long-term borrowings due within one year, long-term payables-related parties and long-term borrowings, but excludes financial liabilities measured at amortized cost such as business tax payable, tax payable and short-term employee benefits payable.

4. Purpose and Policy of Financial risk Management

The merged company's main financial instruments include accounts receivable, accounts payable, loans and lease liabilities. The financial management department of the merged company coordinates access to the domestic and international financial markets, analyzes the risks and manages the financial risks related to the operation of the merged company according to the degree and scope of the risks. Such risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The merged company avoids exposure through derivative financial instruments to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies adopted by the board of directors of the merged company, which are exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investment writing principles of remaining liquidity. The merged company does not deal in financial instruments (including derivative financial instruments) for speculative purposes. The merged company avoids exposure through derivative financial instruments to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies adopted by the board of directors of the merged company, which are exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investment writing principles of remaining liquidity. The merged company does not deal in financial instruments (including derivative financial instruments) for speculative purposes.

(1) Market Risk

The main financial risks borne by the merged company's operating activities are the risk of changes in the exchange rate of foreign currencies, the risk of changes in interest rates and the risk of changes in the share prices of equity commodities. The merged company engages in derivative financial instruments of forward foreign exchange contracts to manage foreign currency exchange rate and interest rate risks. The stock value of the equity commodity invested will change with the fluctuation of the stock price of the invested individual stock.

The merged company's exposure to market risks in financial instruments and its management and measurement of such risks have not changed.

1) Exchange rate risk

For the carrying amounts of monetary assets and monetary liabilities denominated in currencies outside the balance sheet date of the merged company, please refer to Note 34.

Sensitivity Analysis

The merged company is mainly affected by fluctuations in the exchange rate of the US dollar.

The following table shows the sensitivity analysis of the merged company when the individual functional currency appreciates and depreciates by 5% against the relevant foreign currencies. 5% is the assessment of the reasonable possible range of changes in the exchange rate of foreign currencies within the merged company. The following table shows the amount by which the net profit before tax will be increased or reduced when the functional currency appreciates 5% relative to the relevant currencies; when the individual functional currency depreciates 5% relative to the relevant foreign currencies, the impact on the pre-tax net profit will be the same amount in the opposite direction.

	2021	2020
	Influence of US Dollar	Influence of US Dollar
Profit and Loss	$ 21,885	$ 21,636

The above is mainly derived from the US dollar-denominated bank deposits, receivables, payables and bank loan of the merged company which is still outstanding on the balance sheet date and is not hedged in cash flow.

The decrease in the merged company's sensitivity to the US dollar exchange rate during the year was mainly due to a decrease in US dollar-denominated receivables for the year.

(2) Interest Rate Risk

The carrying amounts of the financial assets and financial liabilities of the merged company insured by interest rate exposure on the balance sheet date are as follows:

	December 31, 2021	December 31, 2020
Fair Value Interest Rate Risk		
－Financial Assets	$ 713,112	$ 337,661
－Financial Liabilities	748,631	580,424
Cash Flow Interest Rate Risk		
－Financial Assets	51,206	31,266
－Financial Liabilities	2,087,096	2,250,659

Sensitivity Analysis

The following sensitivity analysis is based on the interest rate exposure of non-derivative instruments on the balance sheet date. The rate of change used by the merged company is an increase or decrease of 25 basis points in the interest rate, which is also an assessment of the reasonable range of possible changes in the interest rate.

If the interest rate increases/decreases by 25 basis points and all other variables remain unchanged, the merged company's net loss before tax in 2021 will increase/decrease by NT$ 5,090 thousands, mainly due to the merged company's exposure to demand deposit and borrowing interest rate risk.

If the interest rate increases/decreases by 25 basis points and all other variables remain unchanged, the merged company's net loss before tax in 2020 will increase/decrease by NT$ 5,548 thousands, mainly due to the merged company's exposure to demand deposit and borrowing interest rate risk.

3) Other Price Risk

The merged company's equity price exposure is caused by the investment of equity securities. The management of the merged company manages risks by holding different risk portfolios.

Sensitivity Analysis

The following sensitivity analysis is based on equity price exposure on the balance sheet date.

If equity prices rise/fall 5%, pre-tax profit or loss in 2021 will increase/decrease by NT$ 99,554 thousands due to the rise/fall in the fair value of financial assets measured by fair value through profit or loss. Other consolidated profit and loss before tax in 2021 will increase/decrease by NT$ 26,048 thousands due to the increase/decrease in the fair value of financial assets measured at fair value through other consolidated income or loss.

If equity prices rise/fall 5%, pre-tax profit or loss in 2020 will increase/decrease by NT$ 60,264 thousand due to the rise/fall in the fair value of financial assets measured by fair value through profit or loss. Other consolidated profit and loss before tax in 2020 will increase/decrease by NT$ 28,315 thousands due to the increase/decrease in the fair value of financial assets measured at fair value through other consolidated income or loss.

(2) Credit Risk

Credit risk refers to the risk that the other party of the transaction defaults on its contractual obligations and causes financial losses to the merged company. As at the balance sheet date, the maximum credit risk exposure insurance of the merged company that may result in financial losses due to the failure of the counterparty to perform its obligations mainly comes from the book amount of financial assets recognized in the entity's balance sheet.

The policy of the merged company is to trade only with reputable parties and to obtain sufficient guarantees if necessary to mitigate the risk of financial losses arising from default.

The credit risk of the merged company is mainly concentrated in the top five customers of the merged company this year. As of December 31, 2021 and 2020, the ratio of receivables from the above-mentioned customers was 52% and 43% respectively.

(3) Liquidity Risk

The merged company manages and maintains sufficient cash and cash equivalents to support the merged company's operations and mitigate the impact of cash flow fluctuations. The merged company’s management supervises the use of bank financing lines and ensures compliance with the terms of the loan contract.

Bank borrowing is an important source of liquidity for the merged company. As at 31 December 2021 and 2020, the unused bank financing limit of the merged company were NT$ 3,660,486 thousands and NT$ 4,076,478 thousands respectively.

The following table is an analysis of the maturity of the remaining contracts of non-derivative financial liabilities agreed by the merged company during the repayment period, which is based on the earliest date on which the merged company may be required for repayment and based on undiscounted cash flows of financial liabilities.

December 31, 2021

	Require Immediate Payment or Less Than 1 Month	1 to 3 Months	Months to 1 Year	1 to 5 Years	More Than 5 Years
Non-derivative Financial Liabilities					
Non-interest-bearing Liabilities	$159,531	$ -	$ -	$ -	$ -
Short-term Loans	111,285	125,767	562,920	-	-
Short-term Notes Payable	295,329	389,671	-	-	-
Financing Payable	18	37	55,702	-	-
Lease Liabilities	28	56	252	28	-
Long-term Loan (including due within one year)	1,413	2,827	12,956	1,339,747	-
Long-term Accounts	-	-	-	8,055	-

Receivable - Related Parties					
	$567,604	$ 518,358	$ 631,830	$1,347,830	$ -

December 31, 2020

	Require Immediate Payment or Less Than 1 Month	1 to 3 Months	Months to 1 Year	1 to 5 Years	More Than 5 Years
Non-derivative Financial Liabilities					
Non-interest-bearing Liabilities	$156,142	$ -	$ -	$ -	$ -
Short-term Loans	21,525	366,903	488,842	-	-
Short-term Notes Payable	435,000	-	-	-	-
Financing Payable	19	37	57,139	-	-
Lease Liabilities	40	79	322	364	-
Long-term Loan (including due within one year)	1,494	88,511	13,177	1,342,513	-
Long-term Accounts Receivable - Related Parties	36	72	330	88,715	-
	$614,256	$455,602	$559,810	$1,431,592	$ -

The amount of floating interest rate instruments for the above non-derivative financial assets and liabilities will change due to the difference between the floating interest rate and the estimated interest rate on the balance sheet date.

The following table shows the liquidity analysis made by the company on derivative financial instruments, which are based on undiscounted total cash inflows and outflows.

December 31, 2021

	Require Immediate Payment or Less Than 1 Month	1 to 3 Months	Months to 1 Year	1 to 5 Years	More Than 5 Years
Close out Netting					
Forward Foreign Exchange Contract	$109	$ 109	$ -	$ -	$ -

December 31, 2020

	Require Immediate Payment or Less Than 1 Month	1 to 3 Months	Months to 1 Year	1 to 5 Years	More Than 5 Years
Close out Netting					
Forward Foreign Exchange Contract	$ -	$ 323	$ -	$ -	$ -

Financing Amount

	December 31, 2021	December 31, 2020
Secured Bank Amount		
- Used Amount	$ 1,054,047	$ 1,230,350
- Unused Amount	2,072,247	1,450,325
	$ 3,126,294	$ 2,680,675
Unsecured Bank Amount		
- Used Amount	$ 1,816,582	$ 1,581,491
- Unused Amount	1,588,239	2,626,153
	$ 3,404,821	$ 4,207,644

XXXI. Related Party Transaction

Transactions, account balances, profits and losses between the parent company and the subsidiary (related parties of the parent company) are written off at the time of the merger and are not disclosed in this note. The transactions between the merged company and other related parties are as follows.

1.Name and Relationship of Related Party

Name of Related Party	Relationship with the merged company
Evertex Fabrinology Limited	Chairman of the Parent Company is its Director (Substantive Party)
SOARAWAY LIMITED（SOARAWAY）	Substantive Party

2. Operating Transaction

	Commodity Sale	
	2021	2020
Substantive Party	$ 11,400	$ 8,559

The sales price and collection period of the merged company to related parties are same as those of general customers.

The balance of related-party receivables (including notes and accounts) on the balance sheet date is as follows:

Account Item	Type of Related Party	December 31, 2021	December 31, 2020
Notes Receivable	Substantive Party	$ 1,002	$ 174
Accounts Receivable	Substantive Party	1,202	677
		$ 2,204	$ 851

The related-party receivables outside the circulation are not guaranteed. The related-party receivables in 2021 and 2020 were not overdue and no allowance for losses.

3. Loan to Related Party

	December 31, 2021	December 31, 2020
Substantive Party		
SOARAWAY	$ 8,055	$ 87,721

The interest expenses are as follows:

Type of Related Party / Name	2021	2020
Substantive Party		
SOARAWAY	$ 357	$ 340

The borrowing rate of the merged company from related parties is the same as the market interest rate, and they are all unsecured loans.

4. Remuneration of the major management

The total remuneration for directors and other major management in 2021 and 2020 was as follows:

	2021	2020
Bonus	$ 9,004	$ 10,020
Salary	6,468	6,456
Business Execution Expense	1,260	1,260
	$ 16,732	$ 17,736

The remuneration of directors and other major management is determined by the Remuneration Committee in accordance with individual performance and market trends.

XXXII. Mortgaged Assets

The following assets of the merged company have been provided as guarantees for financing to various banks.

	December 31, 2021	December 31, 2020
Immovable Property, Plant and Equipment		
Land	$ 609,236	$ 568,890
Housing and Building	418,357	427,374
Other equipment	93	171
	1,027,686	996,435
Investment Property		
Land	8,664	8,664
Housing and Building	79,653	83,712
	88,317	92,376
Right-of-use Assets	68,625	70,908
	$ 1,184,628	$ 1,159,719

XXXIII. Significant or Indebted and Unrecognized Contractual Commitments

In addition to those stated in other notes, the merged company has the following significant commitments at the balance sheet date:

Significant Commitments

As of December 31, 2021, the amount of unused credit issued by the merged company due to the purchase of raw materials is NT$ 98,904 thousands.

XXXIV. Information on Foreign Currency Financial Assets and Liabilities with Significant Impact

The following information is summarized in terms of foreign currencies other than the functional currencies of the merged company, and the exchange rates disclosed refer to the exchange rates at which those foreign currencies are converted to functional currencies. The information of foreign currency assets with significant impact is as follows:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial Assets			
Monetary Items			
USD	$ 1,843	6.35 (USD:RMB)	$ 51,033
USD	10,534	27.69 (USD:TWD)	291,686
Financial Liabilities			
Monetary Items			
USD	26,341	6.35 (USD:RMB)	729,382

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial Assets			
Monetary Items			
USD	$ 1,481	6.53 (USD:RMB)	$ 42,220
USD	11,752	28.51 (USD:TWD)	355,026
Financial Liabilities			
Monetary Items			
USD	26,331	6.53 (USD:RMB)	750,644

The merged company mainly bears the foreign currency exchange rate risk of US dollars. The following information is summarized in terms of the functional currencies of the entity's holders of foreign currencies, and the disclosed exchange rates refer to the conversion of those functional currencies to the exchange rates of the expressed currencies. Significant foreign exchange profits and losses (which have been provided to major operational decision makers and unrealized now) are as follows:

	2021		2020	
Foreign Currency	Exchange Rate	Net Exchange Profit and Loss	Exchange Rate	Net Exchange Profit and Loss
USD	6.35 （USD:RMB）	$ 17,313	6.53 （USD:RMB）	$ 48,011
USD	27.69 （USD:TWD）	($ 9,495)	28.51 （USD:TWD）	($ 34,581)

XXXV. Disclosures in Notes

1. Major transactions and 2. Information Related to Re-investment:

(1) Loan to Others: Table 1.

(2) Endorsement for Others: Table 2.

(3) Holding a List of Marketable Securities at the End of the Period (Excluding Investment Subsidiaries): Table 3.

(4) The cumulative amount of buying or selling the same securities amounts to NT$ 300 million or more than 20% of the paid-in capital: Table 4.

(5) The amount of immovable property acquired has reached to NT$ 300 million or more than 20% of the paid-in capital: NA.

(6) The amount of immovable property disposed has reached to NT$ 300 million or more than 20% of the paid-in capital: Table 5.

(7) The amount of commodity purchased and sold with the related party has reached to NT$ 100 million or more than 20% of the paid-in capital: NA.

(8) Related-party Receivables has reached to NT$ 100 million or more than 20% of the paid-in capital: Table 6.

(9) Engage in derivatives transaction: Note 7.

(10) Other: business relations and important transactions between the parent company and subsidiaries: Table 7.

(11) Information of the Invested Company (Excluding Invested Companies in China): Table 8.

3. Investment Information in China

(1) The name, main business items, paid-in capital, investment method, capital remittance, shareholding ratio, investment profit and loss, investment book value and remitted investment profit and loss of the invested company in China: Table 8.

(2) The following major transactions with China invested companies directly or indirectly through the third area, as well as their prices, terms of payment, unrealized profits and losses:

1) The amount and percentage of purchases and the ending balance of the relevant payables and the percentage of the following significant transactions that occurred directly or indirectly by the company through the third area: NA.

2) Balance and percentage at the end of the period of sale amount and percentage and related payables: NA.

3) The amount of property transactions and the amount of profit and loss generated: NA.

4) Balance and purpose at the end of the period of note endorsement that guarantees or provides collateral: Table 2.

5) Maximum balance, balance at the end of the period, interest rate range and total interest of the current period of financing: Table 1.

6) Other transactions that have a significant impact on the current profit or loss or financial situation, such as the provision or receipt of labor services, etc: NA.

4. Major Shareholder Information: Name, amount and proportion of shareholders with a shareholding ratio of more than 5%: Table10.

XXXVI. Information of Departments

The information provided to main operational decision makers to allocate resources and evaluate departmental performance focuses on each type of product or service delivered or provided. The reporting departments of the merged company are as follows:

False Twist Factory - Zhubei Factory

-Hangzhou Factory

Other

1. Departmental Revenue and Operating Results

The merged company continues to report the revenue and operating results of the business unit to the department for analysis as follows:

	2021				
	False Twist Factory - Zhubei Factory	False Twist Factory - Zhubei Factory	Other	Write-off interdepartmental income and profit and loss	Total
Income from external customers	$1,392,690	$1,073,732	$ 3,034	$ -	$2,469,456
Report the (loss) profit of the department	($ 9,643)	($53,333)	($ 444)	$ -	($ 63,420)

	2020				
	False Twist Factory - Zhubei Factory	False Twist Factory - Zhubei Factory	Other	Write-off interdepartmental income and profit and loss	Total
Income from external customers	$888,955	$890,361	$ 4,418	$ -	$1,783,734
Report the (loss) profit of the department	($125,676)	($100,837)	$ 138	$ -	($226,375)

Departmental loss refers to the profits earned by each department, excluding non-operating income and expenses, as well as income tax expenses. This measure is provided to main operational decision makers to allocate resources to departments and evaluate their performance.

2. Total Assets and Liabilities of the Department

	December 31, 2021	December 31, 2020
Departmental assets		
False Twist Factory - Zhubei Factory	$ 4,093,807	$ 3,374,266
False Twist Factory - Hangzhou	1,533,486	1,683,116
Other department	873,062	935,644
Total consolidated assets	$ 6,500,355	$ 5,993,026
Departmental Liabilities		
False Twist Factory - Zhubei Factory	$ 2,171,710	$ 2,012,302
False Twist Factory - Hangzhou Factory	830,694	888,293
Other department	44,361	161,271
Total consolidated assets	$ 3,046,765	$ 3,061,866

3. Income from major products and services

The income of the merged company comes from the production and sale of polyester textured silk.

4. Region-specific Information

The merged company mainly operates in two regions-Taiwan and China.

The continuing business unit income of the merged company from external customers by place of sale and non-current assets by location listed below.

	Income from external customers		Non-current Assets	
	2021	2020	December 31, 2021	December 31, 2020
Taiwan	$ 1,325,605	$ 850,757	$ 1,226,827	$ 1,610,420
China	548,105	444,189	1,323,107	1,463,196
Vietnam	332,374	293,247	-	-
Thailand	234,142	148,108	-	-
Korea	13,968	29,601	-	-
Samoa	7,930	6,274	-	-
Others	7,332	11,558	-	-
	$ 2,469,456	$ 1,783,734	$ 2,549,934	$ 3,073,616

Non-current assets on December 31, 2021 and 2020 do not include financial assets at amortized cost and deferred income tax assets measured at fair value through other consolidated profit and loss.

The income from a single customer accounts for more than 10% of the total income of the merged company as follows:

	2021	2020
Customer A	$ 478,017	$ 221,892
Customer B	$ 268,565	$ 165,165

LAN FA Textile Co., Ltd. and Its Subsidiaries

Loan Funds to Others

January 1, 2021 to December 31, 2021

Table 1

Unit: NT$ thousands or USD thousands

No.	Company that lends funds	Loan Object	Exchange Items	Whether the related person or not	Current Maximum Balance	Final Balance	Actual Expenditure Amount	Interest Rate Range	Loan Nature	Amount of Business Transactions	Reasons why short-term financing is necessary	Provision for Amount of Bad debts	Guarantee		Loan to individual object and quota	Capital Loan and Total Limit
													Name	Value		
0	LAN FA Textile Co., Ltd.	Hangzhou LAN FA	Other receivables - related parties	Yes	$ 227,058 (USD8,200) (Note 3)	$ 199,368 (USD7,200) (Note 3)	$ 199,368 (USD7,200) (Note 3, 4 and 5)	0.40%	Short-term Financing Funds	$ -	Financing required for operating turnover	NA	NA	NA	$1,036,077 (Note 2)	$1,381,436 (Note 2)

Note 1: The investee company is numbered according to the order of the company.

Note 2: The amount of capital loan of the parent company is limited to 40% of the net value of the parent company, and the entity loan amount is limited to 30% of the net value of the parent company.

Note 3: Converted at the exchange rate of December 31, 2021.

Note 4: The amount of funds actually used for financing is NT$ 101 thousands as of December 31, 2021. The interest income from January 1 to December 31, 2021 was NT$ 855 thousands.

Note 5: At the time of the preparation of the consolidated financial statements, it has been consolidated and written off.

LAN FA Textile Co., Ltd. and Its Subsidiaries

Endorsement in Security for Others

January 1, 2021 to December 31, 2021

Table 2

Unit: NT$ thousands

No (Note 1)	Endorser Company Name	Guaranteed Object by Endorsement		Endorsement limit for the single enterprise (Note 3)	Current Maximum endorsement guarantee balance	Endorse at the end of the term and guarantee the balance	Actual expenditure amount	Amount guaranteed by endorsement of property guarantee	Ratio of cumulative endorsement guarantee to the net value of the latest financial statements (%)	Endorsement guarantee Maximum limit (Note 3)	Endorsement guarantee from parent company to subsidiary company	Endorsement guarantee from parent company to subsidiary company	Guarantee the endorsement of the area of the big land.	Remarks
		Company Name	Relationship (Note 2)											
0	LAN FA Textile Co., Ltd.	LIAN HSIN Company	2	$ 1,793,145	$ 80,000	$ 80,000	$ -	$ -	2.32	Paid-in capital of 3,586,289 thousand yuan for the parent company	Y	N	N	
0	〃	LAN TSE Company	2	1,793,145	190,000	190,000	-	-	5.50		Y	N	N	
0	〃	LAN CHING Company	2	1,793,145	100,000	100,000	25,000	-	2.90		Y	N	N	
0	〃	LAN JIE Company	2	1,793,145	190,000	90,000	-	-	2.61		Y	N	N	
0	〃	Hangzhou LAN FA Company	2	1,793,145	906,190	874,495	490,514	-	25.32		Y	N	Y	
		Total				$ 1,334,495								

Note 1: The parent company fills in 0.

Note 2: There are seven kinds of relationship between the endorsement guarantee object and the parent company, the comparison is as follows:

(1) A company that does business.

(2) The company that directly or indirectly holds more than 50% of the voting shares.

(3) The company that directly or indirectly holds more than 50% of the voting shares.

(4) Companies that directly or indirectly hold more than 90% of the voting shares.

(5) Based on the needs of contracting projects, the same industry or co-founded companies that guarantee each other in accordance with the provisions of the contract.

(6) The company that is guaranteed by endorsement through all the contributing shareholders according to the shareholding ratio because of the joint investment relationship.

(7) The performance bond and joint guarantee of pre-sale house sales contracts are carried out among the industry in accordance with the norms of the Consumer Protection Law.

Note 3: According to the measures for the implementation of the endorsement guarantee of the parent company, the total amount of the endorsement guarantee shall not exceed the paid-in capital of the parent company, and the endorsement guarantee of a single enterprise shall not exceed 1/2 of the paid-in capital of the parent company.

LAN FA Textile Co., Ltd. and Its Subsidiaries

Holding a List of Marketable Securities at the End of the Period (Excluding Investment Subsidiaries)

December 31, 2021

Table 3 Unit: NT$ thousands, thousand shares

Holding Company	Types and Names of Marketable Securities	Relationship with Issuers of Securities	Amount Items	End of the Period				Remarks
				Number of Shares	Carrying Amount	Shareholding Ratio %	Fair Value (Note 1)	
LAN FA Textile Co., Ltd.	Stocks							
	Taiwan Cement Corporation	NA	Financial Assets Measured at Fair Value through Profit or Loss	1,000	$ 48,000	0.02	$ 48,000	
	Asia Cement Corporation			2,100	93,030	0.06	93,030	
	Formosa Plastics Corporation			1,210	125,840	0.02	125,840	
	Nan Ya Plastics Corporation	〃	〃	5,050	431,270	0.06	431,270	
	Formosa Chemicals & Fibre Corporation	〃	〃	300	24,240	0.01	24,240	
	United Microelectronics Corporation	〃	〃	1,700	110,500	0.01	110,500	
	Nanya Technology Corporation	〃	〃	500	39,050	0.02	39,050	
	EVERGREEN MARINE CORP. (TAIWAN) LTD.			1,910	272,175	0.04	272,175	
	Yang Ming Marine Transport Corp.			500	60,500	0.01	60,500	
	WAN HAI LINES							

Holding Company	Types and Names of Marketable Securities	Relationship with Issuers of Securities	Amount Items	End of the Period				Remarks
				Number of Shares	Carrying Amount	Shareholding Ratio %	Fair Value (Note 1)	
	LTD.			100	19,850	-	19,850	
	TAIWAN NAVIGATION CO., LTD.	NA	Financial Assets Measured at Fair Value through Profit or Loss	100	$ 3,715	0.02	$ 3,715	
	Fubon Financial Holding Co., Ltd.			7,180	547,842	0.06	547,842	
	Cathay Financial Holding Co., Ltd.	〃	〃	2,300	143,750	0.02	143,750	
	Concord Securities Co. Ltd.	〃	〃	650	9,750	0.11	9,750	
	GIS Holding Limited	〃	〃	195	19,890	0.06	19,890	
	Long Time Technology Co. Ltd.	〃		198	11,815	0.16	11,815	
	Subtotal				$1,961,271			
	Evertex Fabrinology Limited	The chairman of the company is its director	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	1,222	$ 21,691	1.42	$ 21,691	
	Formosa Taffeta Co., Ltd.	NA	〃	5,000	145,750	0.30	145,750	
	Formosa Technical Co., Ltd.	〃	〃	4,723	$ 184,669	1.07	184,669	
	JIH SUN MONEY MARKET FUND	〃	〃	780	21,247	2.00	21,247	

Holding Company	Types and Names of Marketable Securities	Relationship with Issuers of Securities	Amount Items	End of the Period				Remarks
				Number of Shares	Carrying Amount	Shareholding Ratio %	Fair Value (Note 1)	
	TUNTEX PETROCHEMICALS, INC.	〃	〃	51	360	0.03	360	
	CHU SING INDUSTRIAL CO., LTD.	NA	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	29	$ 1,504	3.32	$ 1,504	
	YI TONG FIBER CO., LTD.	〃	〃	1,341	36,150	1.52	36,150	
	CC&C TECHNOLOGIES, INC.	〃	〃	336	3,126	0.99	3,126	
	Subtotal				$ 414,497			
	BOND							
	International Bonds of the Government of Saudi Arabia	〃	Financial Assets Measured at Amortized Cost	-	$ 34,810	-	32,223	
	Apple Inc. corperation bonds	〃	Financial Assets Measured at Fair Value through Profit or Loss	-	37,519	-	34,034	
	Subtotal				$ 72,329			

Holding Company	Types and Names of Marketable Securities	Relationship with Issuers of Securities	Amount Items	End of the Period				Remarks
				Number of Shares	Carrying Amount	Shareholding Ratio %	Fair Value （Note 1）	
Subsidiaries-KING LAN FA	Stocks							
	EVERGREEN MARINE CORP. (TAIWAN) LTD.	NA	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	200	$ 28,500	-	28,500	
	LAN FA TEXTILE CO., LTD.	The Company	Financial Assets Measured at Fair Value through Profit or Loss	4,176	$ 53,665	1.16	53,665	Note 2
Subsidiaries- LAN TSE	Stock							
	Senao International Co., Ltd.	NA	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	40	$ 1,336	0.02	1,336	
	Cathay Financial Holding Co., Ltd.	〃	〃	1	36	-	36	
	Subtotal				$ 1,372			
	LAN FA TEXTILE CO., LTD.	The Company	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	19,511	$250,726	5.44	250,726	Note 2
	LAN DER DEVELOPMENT CO., LTD.	NA	〃	1,904	16,618	7.46	16,618	Including 1,410,000 special shares

Holding Company	Types and Names of Marketable Securities	Relationship with Issuers of Securities	Amount Items	End of the Period Number of Shares	Carrying Amount	Shareholding Ratio %	Fair Value (Note 1)	Remarks
	SHENQ-TZER DEVELOPMENT CO., LTD.	NA	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	1,963	20,144	5.36	20,144	Including 1,599,000 special shares
	Subtotal				$287,488			
Subsidiaries-LAN JIE	Stock							
	LAN DER DEVELOPMENT CO., LTD.	NA	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	2,138	$18,665	8.88	$18,665	Including 1,551,000 special shares
	SHENQ-TZER DEVELOPMENT CO., LTD.	〃	〃	2,424	24,871	12.12	24,871	Including 1,599,000 special shares
	Subtotal				$ 43,536			
Subsidiaries-LAN CHING	Stock							
	LAN FA TEXTILE CO., LTD.	The Company	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	5,922	$ 76,093	1.65	$ 76,093	Note 2
	LAN DER DEVELOPMENT CO., LTD.	NA	〃	423	3,693	2.99	3,693	Including 226,000 special shares
	SHENQ-TZER DEVELOPMENT CO., LTD.	〃	〃	191	1,960	1.79	1,960	Including 70,000 special shares
	Subtotal				$ 81,746			

(Brought down)

Holding Company	Types and Names of Marketable Securities	Relationship with Issuers of Securities	Account Items	End of the Period				Remarks
				Number of Shares	Carrying Amount	Shareholding Ratio %	Fair Value (Note 1)	
Subsidiaries-LIAN HSIN	Stocks							
	LAN FA TEXTILE CO., LTD.	The Company	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss	11,535	$ 148,223	3.22	148,223	Note 2
	LAN DER DEVELOPMENT CO., LTD.	NA	〃	75	659	0.07	659	Including 71,000 special shares
	YEH YING Investment Co., LTD.	〃	〃	1,365	14,292	10.26	14,292	
	SHENQ-TZER DEVELOPMENT CO., LTD.	〃	〃	74	763	0.07	763	Including 70,000 special shares
	LUNG CHIU Investment Co., LTD.	〃	〃	328	4,796	3.25	4,796	
	Subtotal				$ 168,733			

Note 1: Listed and OTC stocks shall follow the closing price of December 31, 2021: For emerging stocks, the average price on December 31, 2021 is the market price.

Note 2: At the time of the preparation of the consolidated financial statements, it has been consolidated and written off.

Note 3: For information about investment in subsidiaries, please refer to Table 8 and 9.

LAN FA Textile Co., Ltd. and Its Subsidiaries

The cumulative amount of buying or selling the same securities amounts to NT$ 300 million or more than 20% of the paid-in capital

January 1, 2021 to December 31, 2021

Table 4

Unit: NT$ thousands, thousand shares

Buying and selling company	Types and names of marketable securities	Account Items	Transaction Objects	Relationship	Beginning of the Period		Buy		Sell				Other adjustment items		End of the Period	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Price	Book value	Punishment Profit and Loss	Number of Shares	Amount	Number of Shares	Amount
The Company	Stock															
	Nan Ya Plastics Corporation	Financial Assets Measured at Fair Value through Profit or Loss	Note	NA	-	$	5,050	$431,714	-	$ -	$ -	$ -	$	($ 444)	5,050	$431,270
	Taiwan Semiconductor Manufacturing Company			〃	200	91,981	600	361,464	800	474,758	453,445	21,313		-	-	-
	EVERGREEN MARINE CORP. (TAIWAN) LTD.			〃	-	-	3,329	451,343	1,419	204,625	204,778	(153)		25,610	1,910	272,175
	Yang Ming Marine Transport Corp.			〃	-	-	4,587	302,617	4,087	284,267	237,548	46,719		(4,569)	500	60,500
	Fubon Financial Holding Co., Ltd.			〃	2,000	101,700	10,521	607,141	5,761	343,453	290,432	53,021	420	129,433	7,180	547,842

Note： It is bought and sold in the open market.

LAN FA Textile Co., Ltd. and Its Subsidiaries

The amount of immovable property disposed has reached to NT$ 300 million or more than 20% of the paid-in capital

December 31, 2021

Table 5

Unit: NT$ thousands

Company of disposals property	property name	Date of occurrence of the fact	Acquired date	Book Value	Amount of Transaction	Condition of Receiving	Income and loss from disposal (Note)	Parties of transaction	relationship	Purpose of disposal	Price determinate on and supporting evidence	Other matters agreed
KING LAN FA Industrial CO., LTD	No. 651, Fudingjin Section 1, Fudingjin Section, Sanmin District, Kaohsiung City	April 14, 2021	October 21, 1997	$334,818	$735,810	735,810 thousands has been collected	$ 389,939 (After deducting transaction costs of NT$ 11,053 thousands)	Rida Construction Co., Ltd.	third Parties	buy and sell	According to market conditions	-

LAN FA Textile Co., Ltd. and Its Subsidiaries

The amount of related-party receivables amounts have reached to NT$ 100 million or more than 20% of the paid-in capital

December 31, 2021

Table 6

Unit: NT$ thousands

Company of receivables	Name of transaction object	Relationship	Balance of receivables from related parties (Note 2)	Turnover rate	Overdue receivables from related parties		The amount recovered after the period of the related-party receivable	Allowance for loss
					Amount	accounting treatment		
LAN FA Textile Co., Ltd.	Hangzhou LAN FA Textile Co., Ltd.	Subsidiary	$ 199,469	Note 1	$	—	$ -	$

Note 1: The loan and the amount of interest receivable are not applicable.

Note 2: It has been written off in full at the time of the preparation of the consolidated financial statements.

LAN FA Textile Co., Ltd. and Its Subsidiaries

Business Relations and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries

January 1, 2021 to December 31, 2021

Table 7

Unit: Unless otherwise noted, it is NT$ thousands.

No. (Note 1)	Name of trader	Transaction objects	Relationship with the trader (Note 2)	Transaction situation			
				Projects	Amount (Note 3)	Transaction condition (Note 4)	Ratio to total consolidated income or assets(Note 5)
0	LAN FA Textile Co., Ltd.	Hangzhou LAN FA Textile Co., Ltd.	1	Other receivables-related parties	$ 199,469	-	3%
				Interest income	855	-	-

Note 1: The business information between the parent company and the subsidiaries shall be indicated in the serial number column respectively, and the numbering method is as follows:

(1) Fill in 0 for the parent company.

(2) The subsidiaries shall be numbered sequentially starting with the Arabic numeral 1 according to the company.

Note 2: There are three kinds of relationship with the trader, which can be marked:

(1) The parent company to subsidiaries.

(2) Subsidiaries to the parent company.

(3) Subsidiaries to subsidiaries.

Note 3: At the time of the preparation of the consolidated financial statements, it has been consolidated and written off.

Note 4: The relevant transaction conditions shall be agreed by both parties.

Note 5: Calculation of the ratio of transaction amount to total consolidated income or total assets, in the case of asset-liability items, it shall be calculated according to the balance at the end of the period to the total consolidated assets; in the case of profit and loss items, it shall be calculated according to the accumulated amount in the period to the total consolidated income.

LAN FA Textile Co., Ltd. and Its Subsidiaries

Information, Region and Other Relevant Information of the Invested Company (Excluding Invested Companies in China)

January 1, 2021 to December 31, 2021

Table 8

Unit: NT$ thousands, thousand shares

Name of investment company	Name of invested company	Region	Main business items	Original investment amount		Hold at the end of the period			Current profit and loss of invested company	Investment profit and loss recognized for the current period	Remarks
				End of current period	End of last period	Number of Shares	Ratio %	Carrying Amount			
The Company	KING LAN FA Industrial Co., Ltd.	Taipei	1. Trading of cloth and textiles, etc. 2. Entrusting builders to build residential rental and sale business	$ 202,946	$ 286,965	8,800	100.00	$ 418,537	$ 356,796	$ 233,292	（Note 1）
	LAN TSE Investment Co., Ltd.	〃	General Investment	299,947	299,947	41,342	100.00	150,066	18,488	18,488	（Note 1）
	LAN JIE Development Co., Ltd.	〃	〃	100,080	100,080	24,078	100.00	206,291	7,900	7,900	
	LIAN HSIN Investment Co., Ltd.	〃	〃	211,256	211,256	25,214	100.00	82,222	4,057	4,057	（Note 1）
	LAN CHING Development Co., Ltd.	〃	〃	129,902	129,902	13,150	100.00	(17,134)	343	343	（Note 1）
	LAN FA HOLDING LIMITED	Trust Net Chambers, P.O.Box 1225, Apia, Samoa	International Investment Industry	1,589,570	1,589,570	48,587	100.00	492,043	(55,242)	(55,242)	（Note 3）
LAN FA HOLDING LIMITED	MARYLAND INVESTMENT LIMITED	Trust Net Chambers, P.O.Box 1225, Apia, Samoa	〃	1,589,570	1,589,570	48,587	98.98	498,426	(55,811)	(55,242)	Subsidiaries （Note 2）
LAN TSE Investment Co., Ltd.	SPRING INVESTMENT LIMITED	Omar Hodge Building, Wickhams Cay I, P.O. BOX 362, Road Town, Tortola, British Virgin Islands	〃	52,262	52,262	1,500	100.00	103,675	(2,477)	(2,477)	Subsidiaries （Note 2）
SPRING INVESTMENT LIMITED	MARYLAND INVESTMENT LIMITED	Trust Net Chambers, P.O.Box 1225, Apia, Samoa	〃	16,917	16,917	500	1.02	5,129	(55,811)	(569)	Subsidiaries （Note 2）

Note 1: The parent company treats the shares held by its subsidiaries as treasury shares, so the investment book amount under the equity method is deducted as the net amount of treasury shares.

Note 2: Investment profits and losses recognized by subsidiaries directly or indirectly.

Note 3: The carrying amount is the net amount after deducting the unrealized benefits of downstream transactions.

Note 4: At the time of the preparation of the consolidated financial statements, it has been consolidated and written off.

LAN FA Textile Co., Ltd. and Its Subsidiaries

Investment Information in China

January 1, 2021 to December 31, 2021

Table 9 Unit: NT$ thousands or USD thousands dollars

(1) The name, main business items, paid-in capital, investment method, capital remittance, shareholding ratio, investment profit and loss, investment book value and remitted investment profit and loss of the invested company in China:

Name of the invested company in Chinese xdt&	Main business item	Paid-in capital	Investment method (Note 1)	The amount of accumulated investment remitted from Taiwan at the beginning of current period	Remit or recover the amount of investment in the current period		The amount of accumulated investment remitted from Taiwan at the beginning of current period	Profit and loss of the invested company for the current period (Note 4)	The proportion of shares directly or indirectly invested by the Company	Investment profits and losses recognized for the current period (Note 4)	Method of recognition	Book value of investment at the end of the period (Note 4)	Investment income remitted back to Taiwan as of the current period
					Remit	Recover							
Hangzhou LAN FA Textile Co., Ltd.	Stretch yarn, polyester textured yarn	$1,596,461 (USD 49,230)	(2)	$1,589,570 (USD 48,587)	$-	$-	$1,589,570 (USD 48,587)	($ 55,811)	100.00	($ 55,811)	(2)； 2	$503,323 (USD 18,177)	$ -

(2) Limit for investment in China:

The cumulative amount of investment remitted from Taiwan to China at the end of current period	The Investment Review Board of the Ministry of Economic Affairs approved the amount of investment.	According to the quota of investment in China as stipulated by the Investment Review Board of the Ministry of Economic Affairs
USD 48,587	USD 48,730	Note 3

Note 1: The investment methods can be divided into the following four types, which can be marked as follows:

(1) To invest companies in China through remittances from the third region.

(2) To set up a company through investment in the third region and re-invest companies in China.

(3) Re-invest companies in China by investing existing companies in the third region.

(4) Other ways of EX: entrusting investment.

Note 2: In the column of investment profit and loss recognized in current period:

(1) If there is no investment profit or loss in preparation, it should be noted.

(2) The basis for the recognition of investment profit and loss is divided into the following three types, which shall be noted.

1) The financial statements audited by the international accounting firm that has a cooperative relationship with the accounting firm of the Republic of China.

2) The financial statements audited by accountants of the parent company in Taiwan.

3) Others.

Note 3: According to the revised “Principles for the Examination of Investment or Technical Cooperation in China” on August 29, 2008, since the parent company obtained letter No. 11020401240 issued by the Bureau of Industry of the Ministry of Economic Affairs on January 11, 2021, it is in line with the operating scope of the operating headquarters, so there is no need to set up an investment limit.

Note 4: At the time of the preparation of the consolidated financial statements, it has been consolidated and written off.

Re-invest companies in China through MARYLAND INVESTMENT LIMITED, a subsidiary of the third region company LAN FA HOLDING LIMITED.

LAN FA Textile Co., Ltd.

Major Shareholder Information

December 31, 2021

Table 10

Name of major shareholders	Shares	
	Number of shares held (shares)	Shareholding ratio
ZEXIN Investment Co., Ltd.	34,998,156	9.75%
LAN CHI Investment Co., Ltd.	30,571,673	8.52%
YEH FA Investment Co., Ltd.	22,205,398	6.19%
CHUAN FA Investment Co., Ltd.	20,192,668	5.63%
LAN TSE Investment Co., Ltd.	19,511,764	5.44%

Note: The information of major shareholders in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter, calculating that the total amount of common shares and special shares held by shareholders who have completed non-physical login delivery (including treasury shares) reached more than 5%.